

JPRS-CEA-86-070

12 JUNE 1986

China Report

ECONOMIC AFFAIRS

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12 JUNE 1986

CHINA REPORT

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ECONOMIC DEVELOPMENT ZONES

SHANGHAI ECONOMIC ZONE MEETING HELD IN JIANGXI

OW222032 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 20 May 86

[Text] According to our reporters Shi Shihai and Xue Renxin, the fifth theoretical symposium on the development of the Shanghai Economic Zone opened today in Shanghai City. Attending the symposium are Wang Lin, director of the Shanghai Economic Zone Planning Office of the State Council; Zhou Guangchun and Bai Yang, deputy directors of this office; Ni Xiance, deputy secretary of the provincial CPC committee and governor of the province; and Zhao Zengyi, chairman of the provincial advisory commission. Others attending are leading comrades from the relevant ministries and commissions of the State Council, the Shanghai Economic Zone Planning Office, and other provinces and municipalities, as well as experts and scholars, numbering more than 200 in total.

The main purpose of this symposium is to discuss in depth the strategic outline for the development of the Shanghai Economic Zone by integrating theory with practice and to probe the question of how to put the development of this zone in high gear with a view to bringing about the common prosperity of Shanghai Municipality and the four provinces involved.

Qin Benli, president of the Shanghai Economic Zone Research Society, delivered an opening address.

Comrade Ni Xiance also made a speech at the symposium. On behalf of the Jiangxi Provincial CPC Committee and People's Government, he extended a warm welcome to the comrades who had come for the symposium. Then, he said: Over the past 1 year or so since Jiangxi was included in the Shanghai Economic Zone, we have learned a lot of successful experiences and received guidance and assistance from Shanghai Municipality and the other provinces in this zone. Because of abundant resources, our province has a very great potential for development. During the Seventh 5-Year Plan, we will make active efforts to exploit our province's abundant resources according to the general strategy of making use of the favorable condition of rich resources to invigorate Jiangxi's economy. We must act more boldly and daringly to utilize more foreign capital and even dare to run into debt in order to proceed with construction. At the same time, we must go all out to develop economic and technological cooperation with others in the Shanghai Economic

Zone and with other provinces and municipalities. We must also acquire capital and technical personnel from other provinces and learn from their managerial experience so as to exploit the abundant resources and transform the enterprises so as to exploit the abundant resources and transform the enterprises in our province with a view toward common economic prosperity of our and other provinces.

Concluding his speech, Ni Xiance said: Jiangxi is prepared to adopt more preferential measures to solicit others in the Shanghai Economic Zone, departments of the State Council, other provinces and municipalities, and people from all circles to engage in development undertakings in our province so as to speed up the pace of our common progress.

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CSO: 4006/1040

ECONOMIC PLANNING

YUNNAN'S 1985 ECONOMIC, SOCIAL DEVELOPMENT STATISTICS

HK280726 Kunming YUNNAN RIBAO in Chinese 5 Apr 86 p 2

["Communique on Yunnan's 1985 National Economic and Social Development Statistics Issued by the Yunnan Provincial Statistical Bureau"]

[Text] In 1985, under the leadership of the provincial CPC Committee and provincial government, the people of all nationalities in Yunnan earnestly implemented the policy of invigorating the domestic economy and opening up to the outside world, developed the reform of the economic structure in depth, and promoted Yunnan's economic and social development. The total product of society came to 28,757,000,000 yuan, a 12.6 percent increase over 1984. (The total product of society is the sum of the total output value of agriculture, industry, the building trade, transportation, posts and telecommunications, and commerce, including the supply and marketing of materials and equipment and the catering trade. National income is the sum of the net output value of the above five material producing departments. All figures for the total product of society, the total industrial and agricultural output value, national income, and gross national product cited in this communique are calculated in terms of 1985 prices, and the percentage increase over the previous year is calculated in terms of comparable prices.) Of this sum, the total industrial and agricultural output value reached 22,514,000,000 yuan, an increase of 11.8 percent over 1984 and exceeding the planned target of 7.2 percent growth. National income totaled 14,277,000,000 yuan, a 10.5 percent increase over 1984. The major national economic targets prescribed by the Sixth 5-Year Plan were fulfilled or overfulfilled. Along with the sustained growth of production, the market was brisk, revenue rose remarkably, and urban and rural residents' income increased. According to preliminary estimates, Yunnan's gross domestic product for 1985 was 15.69 billion yuan, or 11 percent more than in 1984. (Gross domestic product refers to the value of products and labor services used by society and supplied by material production departments and non-material production departments, not including the value of products and labor services consumed by intermediate units.) The major problems in Yunnan's national economic development are excessive investment in fixed assets, social purchasing power outstripping the supply of commodities, and substantial price hikes of some goods, particularly fresh vegetables, fruit, meat, poultry, eggs, books, newspapers, and magazines.

I. Agriculture

In 1985, Yunnan's rural areas took a major step toward reforming the system of fixed state purchases of farm produce and readjusting the production setup, both of which sparked continued and comprehensive rural economic development. The total product of society in the rural areas was 11,628,000,000 yuan, a 12.6 percent increase over 1984. (Total rural product of society includes the gross output value of agriculture, the gross output value of town and township industry and individually run rural industries, and the gross output value registered by collective and individually run building industry, transportation, posts and telecommunications, and commerce.) Of this sum, the proportion of the output value of industry, the building trade, commerce, and transportation rose from 20.7 percent in 1984 to 23.6 percent.

The total output value of agriculture was 9,656,000,000 yuan (including that from rural industries), up 8.2 percent from 1984 and exceeding the planned target of 6 percent growth. Of this, the proportion of forestry, animal husbandry, fishery, and sideline production rose from 44.2 percent in 1984 to 47.7 percent. After deducting the output value of rural industries from this sum, the total output value of agriculture is 8,883,000,000 yuan, a 6.4 percent increase over 1984.

The crop cultivation structure underwent major readjustment. As a result of frequent natural disasters, the total output of grain was 9.35 million tons (18.7 billion jin), 700,000 tons (1.4 billion jin) less than in 1984. Except for oil-bearing crops, whose output decreased because of a reduction in cultivated areas, the output of all other major cash crops registered a fairly big increase. The output of major farm products was as follows:

	1985	Percentage Increase Over 1984
Grain	9,350,000 tons (1.87 billion jin)	- 7.0
Oil-bearing crops	118,100 tons	- 4.5
of which, rapeseed	71,700 tons	-14.3
Sugarcane	4,797,700 tons (95,954,400 dan)	27.0
Cured tobacco	410,000 tons (8,200,000 dan)	49.1
Tea	31,100 tons (621,500 dan)	10.3
Silkworm cocoons	1,800 tons	2.9

The further implementation of the forestry policies aroused the enthusiasm of the masses for afforestation. The whole province afforested an area of 60.57 hectares (9,086,000 mu), an increase of 9.6 percent over 1984. The output of major forest products increased somewhat. The output of rubber increased 4.1 percent; raw lacquer, 10.8 percent; walnuts, 8.6 percent; and chestnuts, 19 percent. But the output of tung-oil and tea-oil seeds decreased slightly.

Further progress was made in animal husbandry. The output of pork, beef, mutton, and milk increased rapidly. The number of large animals and pigs on hand at year-end continued to increase, but the number of sheep on hand dropped slightly. The output of major animal by-products and number of livestock were as follows:

	1985	Percentage Increase Over 1984
Output of pork, beef, and mutton	568,300 tons	10.2
of which, pork	544,000 tons	9.0
Milk	42,200 tons	13.7
Large animals at year-end	8,741,300 head	5.9
Pigs at year-end	17,033,000 head	0.1
Sheep and goats at year-end	7,239,400 head	- 2.6

Fish production grew considerably. The output of aquatic products was 26,500 tons, a 22.7 percent increase over 1984.

Farm machinery and electricity consumption in the rural areas increased, with the exception of large and medium tractors and irrigation and drainage equipment, which decreased. The aggregate power of the province's farm machines reached 5,972,400 horsepower, a 7.9 percent increase over 1984. The number of large and medium tractors was 17,700, a decrease of 3.8 percent from 1984; small capacity and walking tractors, 73,800, an increase of 20.8 percent; trucks, 10,500, up 40 percent; irrigation and drainage machines, 41,800, down 9.9 percent; chemical fertilizers applied, 1,558,600 tons, up 5.9 percent; and consumption of electricity in rural areas, 754 million kilowatt hours, up 12.5 percent. The area under effective irrigation was 14,474,300 mu, an increase of more than 50,000 mu over 1984.

The province's meteorological departments improved their weather forecasting and made timely and accurate forecasts in some areas threatened by natural disasters, thus reducing losses to agriculture caused by calamities.

II. Industry

In 1985, the reforms of the industrial system progressed steadily, the vigor of enterprises was further enhanced, light and heavy industry developed in a

coordinated manner, energy production basically met the needs of national economic development, output of marketable products increased remarkably, and overall economic results improved. The total industrial output value for 1985 was 12,858,000,000 yuan, an increase of 14.6 percent over 1984, exceeding the planned growth target of 8.2 percent. When added to the output value of rural industry, the total figure is 13,626,000,000 yuan, a 15.5 percent rise over 1984. Of the total, the output value of state-owned industry increased 13.1 percent over 1984, collective-owned industry grew by 20.9 percent, individually-run industry in cities and towns went up by 21.8 percent, and industry of other kinds of ownership rose 130 percent. The total industrial output value of 8 autonomous prefectures and 19 autonomous counties increased by 17.4 percent over 1984. The output of 42 of the 60 major industrial products met or topped provincial plans. They included steel, 10 kinds of nonferrous metals, coal, generated energy, caustic soda, chemical fertilizer, tires, cement, power generating equipment, walking tractors, television sets, bicycles, chemical fibers, woollen piece goods, machine-made paper and paperboard, cigarettes, bulbs, detergents, household washing machines, and beer. The output of 18 industrial products failed to meet the 1985 planned quotas. They included phosphate rock, phosphate fertilizer, insecticides, and sewing machines. The production of these goods was curtailed as a result of supply outstripping demand.

The total output value of light industry in 1985 was 6,223,000,000 yuan, a 16.2 percent increase over 1984. The designs and varieties of light industrial products expanded and the output of high and medium grade products increased considerably. Some products that had been in short supply, however, still failed to keep up with demand. The output of major light industrial products was as follows:

	1985		Percentage Increase Over 1984
Cotton yarn	35,712	tons	9.9
Cloth	151.52	million meters	5.6
Woolen piece goods	271,300	meters	29.1
machine-made paper and paper board	101,645	tons	31.7
Sugar	328,300	tons	6.7
Cigarettes	2,062,500	cartons	17.8
Fine tea	22,036	tons	6.9
Chemical Pharmaceuticals	142	tons	2.3
Detergents	19,193	tons	36.0
Bicycles	250,100	tons	91.4

Sewing machines	7,404	570.0
Wristwatches	72,400	11.7
Televisions	111,408	79.0
of which, color sets	31,155	2,950.0
Cassette recorders	30,525	35.8
Household washing machines	45,369	61.1
Household refrigerators	17,000	750.0

The 1985 heavy industrial output value was 6,635,000,000 yuan, up 13.1 percent from 1984. Primary energy output was equivalent to 11,638,600 tons, an increase of 8.1 percent over the previous year. The output of major heavy industrial products was as follows:

	1985	Percentage Increase Over 1984
Coal	16,380,000 tons	6.6
Electricity	7,545,000,000 kilowatt-hours	7.4
of which, hydro-electricity	4,523,000,000 kilowatt-hours	14.8
Steel	561,600 tons	5.2
Rolled steel	483,900 tons	- 4.0
10 kinds of nonferrous metals	149,753 tons	9.6
Timber	3,315,000 cubic meters	8.1
of which, commodity timber	2,680,800 cubic meters	24.5
Cement	3,077,600 tons	16.4
Plate glass	874,200 standard cases	-17.1
Sulphuric acid	210,421 tons	- 9.2
Caustic soda	21,527 tons	4.8
Chemical fertilizers	602,000 tons	1.6
Chemical insecticides	952 tons	-35.4
Outer tires	295,800	3.6
Power generating equipment	48,300 kilowatts	87.5

Machine tools	3,594	14.8
Trucks	5,455	100.0
Walking tractors	11,629	17.8
Internal-combustion engines	730,400 horsepower	43.7

Industrial economic efficiency further improved. Per capita productivity for state-owned industrial enterprises was 1,789 yuan, 7.9 percent higher than in 1984. The total output value of the budgeted industrial enterprises increased by 18.9 percent over 1984. Their sales income went up by 17.8 percent, their profits and product sales taxes rose by 24.5 percent, and their taxes turned over to the higher authorities increased by 23 percent. The turnover period for working funds was shortened from 97.8 days in 1984 to 95.3 days in 1985. However, the production costs for some comparable products rose by 6.2 percent over 1984. The quality of some products declined, consumption of raw materials increased, and deficits of some departments and localities went up.

III. Investment in Fixed Assets and the Building Trade

The construction of key projects and the updating and revamping of old enterprises were stepped up in 1985, and the management system underwent further reform. Total investment in fixed assets throughout the province came to 4.8 billion yuan, a 45.5 percent increase, or 1.501 billion yuan more than in 1984. Of the total, 3.372 billion yuan was in state-owned enterprises, 743 million yuan was in urban and rural collectively-owned enterprises, and 685 million yuan was from urban and rural individual investment. Of the investment in fixed assets for state-owned enterprises, 2.147 billion yuan went into capital construction, a 56.4 percent increase, or 775 million yuan more than in 1984. Of this, 572 million yuan was investment directly called for by the state plan, accounting for 91.5 percent of the state's adjusted plan. The newly added fixed assets in 1985 was 1.507 billion yuan and the rate of fixed assets put into use was 70.2 percent.

Construction of key projects was strengthened. Of the investment in capital construction, 567 million yuan was for energy projects, up 80.2 percent from the previous year; 239 million yuan for transportation and posts and telecommunications, up 190 percent; 34 million yuan for scientific research, up 39.3 percent; and 171 million yuan for education, up 49.7 percent. Investment in productive projects totaled 1.181 billion yuan, a 43.5 percent increase over 1984. Investment in non-productive projects was 966 million yuan, up 75.7 percent. Of this, investment in housing projects amounted to 438 million yuan, up 60.6 percent.

A number of key construction projects were completed on schedule and put into operation. The first phase project of the Kunming timber sodium phosphate plant, a key project of the state, passed the state inspection test and was put into operation. In the Nubuge hydropower station project, a dam was successfully built on schedule in November. Of the 36 key projects of the

province, the following were completed and put into operation: The Jingkan sugar refinery, the Nongzhang sugar refinery, the Ruili sugar refinery, the Pengpu sugar refinery, and the Yimen copper mine. The following were expected to be completed and put into operation within a year: the No 1 generating unit of the second Xiaolongtan power plant, the southern vulcanization section of the ore dressing plant under the Yunnan Tin Company, the double superphosphate and sulphuric acid workshop of the Yunnan phosphate fertilizer plant, and the Puing phosphate mine of the Kunyang Phosphate Mining Bureau.

Capital construction last year helped add the following industrial capacities: 25,000 tons of detergent, 59,000 tons of machine-processed sugar, 119,000 kilowatts of power generating capacity, 1,184 tons of tin-containing concentrate, 3,366 tons of concentrate (containing copper), 296,000 tons of copper, and 300,000 tons of rock phosphate.

Headway was made in the technological transformation of existing enterprises. In 1985, state-owned enterprises made use of a total investment of 1,225 million yuan for equipment replacement, technological transformation, and other fixed assets, 17.7 percent more than the previous year. Of this amount, 978 million yuan was invested in equipment replacement and technological transformation, 133.7 percent of the planned 615 million yuan investment. Of the investment in equipment replacement and technological transformation, 207 million yuan was used to increase product variety and improve product quality and 237 million yuan was used to conserve energy and raw and semi-finished materials and strengthen transportation and posts and telecommunications. Of the 2,272 projects undergoing equipment replacement and technological transformation, 1,299 were completed and put into operation, which played an important role in bringing about technological progress in enterprises.

Equipment replacement and technological transformation last year helped and the following industrial capacities: 5,000 tons of caustic soda, 335,000 tons of cement, 14,000 tons of alcohol (including 5,000 tons of beer), 35,000 tons of sugar, 195,000 cartons of cigarettes, 538 kilometers of rebuilt highways, and 3,000 telephone switchboards in urban areas.

Further advances were made in the reform of the administrative systems of the building industry and capital construction. Of the 6,659 state-owned construction projects, 5,464 introduced various forms of contracted responsibility systems. The reforms brought about better economic results. The total output value of state-owned construction enterprises in 1985 rose 21.3 percent over the preceding year and per capita labor productivity was 19.4 percent higher than in 1984.

Geological survey work registered marked achievements in 1985. The provincial geological bureau and the geological units of the non-ferrous metal, coal, building materials, chemical industrial, and petroleum departments discovered and assessed 116 mineral-bearing areas and submitted 44 geological reports for industrial and agricultural construction. The targets for discovered reserves of 8 major minerals all surpassed the state targets.. Tunnelling footage completed in the year totaled 300,000 meters, 30,000 meters more than in 1984.

IV. Transportation, Posts, and Telecommunications

Reform and the measures adopted to tap latent potential enhanced the capacity of transportation. The volume of goods handled by various transportation means totaled 200 million tons, up 7.4 percent from 1984. Of the total, the goods handled by non-transportation departments increased by 22.9 percent over the previous year. The various transportation departments handled 8,562 million ton-kilometers of goods, a drop of 1.1 percent from 1984. Of this, the railways handled 6,483 million ton-kilometers, up 3.4 percent; trucks handled 2,039 million ton-kilometers, down 2.9 percent; ships and boats handled 39.45 million ton-kilometers, down 1 percent; and planes handled 541,600 ton-kilometers, up 28.3 percent.

The gross volume of passenger transportation was 7.285 million person-kilometer, a 26.5 percent increase over 1984. Of this, the volume of railway passenger transportation was 1,956 million person-kilometers, up 16.9 percent from 1984; the volume of road passenger transportation, 5,254 million person-kilometers, up 30.7 percent; the volume of waterway passenger transportation, 32.14 million person-kilometers, up 13.3 percent; and the volume of air passenger transportation, 43.02 million person-kilometers, up 23.7 percent.

Posts and telecommunications developed considerably. Transactions in 1985 amounted to 666.75 million yuan, a 15.5 percent increase over the previous year. The number of letters handled went up 18.9 percent; newspapers and magazines distributed rose 12.8 percent; telegrams increased 22.6 percent; and long-distance telephone calls were up 16.1 percent. The year-end number of telephone subscribers in urban areas was 36,500, a 12.8 percent increase over the previous year.

Economic results improved in the transportation and posts and telecommunications departments. Income from railway transportation went up 7 percent and per capita productivity increased 7.2 percent over 1984. The average output of each locomotive rose 1.2 percent a day. Profits earned by enterprises directly under the administration of the Ministry of Communications increased by 150 percent over 1984. Local and rural telephone service reduced deficits by 300,000 yuan.

V. Domestic Trade and Supply and Marketing of Materials

Urban and rural markets thrived in 1985. The province's 1985 retail sales reaches 9.320 billion yuan, a 26.39 percent increase over the previous year (a 16.9 percent increase if price increases are factored in). Of the total sum, retail sales of consumer goods rose 28.8 percent and retail sales of farming materials and equipment went up 6.7 percent. Retail sales of 8 autonomous prefectures and 19 autonomous counties increased by 28.3 percent over 1984.

Retail sales of most principal consumer goods increased over 1984. Increases included grain, up 6.6 percent; vegetable oils, down 7.8 percent; eggs, up 13.3 percent; sugar, up 21.6 percent; cotton cloth, 31 percent; synthetic fabrics, up 22.6 percent; woollen piece goods, up 18.6 percent; silks and satins, up 52.4 percent; knitting wool, up 4.4 percent; knitwear, up 18.5 percent;

wristwatches, up 46.1 percent; bicycles, up 60.8 percent; cameras, up 25.2 percent; electric fans, up 67.3 percent; television sets, up 42.2 percent; cassette recorders, up 58 percent; washing machines, up 52.6 percent; and refrigerators, up 1,000 percent.

The reform of the commercial system developed significantly and the circulation of commodities quickened. By the end of 1985, the province had decontrolled 12 second-level industrial goods wholesale centers, accounting for 63.2 percent of those that should be decontrolled. A total of 4,325 small state-owned enterprises in the retail business, the catering trade, and other services were given a free hand in management, accounting for 96.5 percent of the total number of small enterprises. The number of commodity fairs in both cities and countryside increased from 2,554 at the end of 1984 to 2,665 in 1985. Trade value in 1985 amounted to 2.228 billion yuan, a 42.5 percent increase over the previous year. Retail sales in all economic sectors increased considerably. The total amount of retail sales in the state-owned sector grew 6.1 percent, while retail sales in the collective sector (including the supply and marketing cooperatives) rose 36.5 percent. Sales in the individual sector went up 82.8 percent. Sales in other economic sectors increased 84.4 percent, while retail sales by farmers to non-agricultural residents went up 48 percent.

The smooth take-off of the price reform in 1985 accelerated the development of the commodity economy, and market prices rose considerably. The general price indices for state purchases of farm and sideline products rose an average of 16.7 percent over 1984. The general retail price index in 1985 increased 8 percent over the previous year. The general retail price index rose an average of 12.7 percent in the cities and 4.9 percent in the countryside. The price of fresh vegetables rose 52.6 percent; meat, poultry, and eggs, 33.5 percent; aquatic products, 31.5 percent; fruit, 54 percent; grain, 10 percent; traditional Chinese medicines, 6.5 percent; books, newspapers, and magazines, 38.6 percent; and fuel, 3.1 percent. Retail prices for consumer goods such as garments and cultural and recreational goods increased slightly as well. The cost of living index of workers and staff went up 11.9 percent over 1984.

Sales of the major means of production in 1985 rose over the previous year. Coal sales increased 7.9 percent and cement 11.3 percent. Due to the short supply of billet and the consequent reduction of steel output, sales of rolled steel dropped 2.1 percent. With the gradual development of the reform of the material circulation system and with the increased scope of market regulation, the number of capital goods trade centers increased from 4 in 1984 to 21 in 1985 and their business volume reached 169 million yuan in 1985. The time for the turnover of fixed-quota circulating funds of the material supply departments was 94 days, 18 days less than in 1984.

VI. Foreign Trade and Tourism

The province's imports and export expanded remarkably in 1985. According to statistics compiled by the province's foreign economic and trade department, imports and exports came to \$209.52 million, a 36.1 percent increase over 1984. Of this, exports totaled \$129.01 million, an increase of 15.8 percent over the previous year. Imports totaled \$80.51 million, up 88.9 percent.

More foreign capital was used in 1985. The province used \$1,637,700, a 650 percent increase over 1984. This included \$1,564,900 in direct foreign investment, up 880 percent.

Further advances were made in economic cooperation with foreign countries. In 1985 the province signed three contracts for overseas projects and labor service, altogether worth \$665,300. That same year, the province fulfilled contracts worth \$6.84 million, a 33.7 percent increase over 1984.

The tourism industry developed steadily. A total of 72,000 visitors from over 50 countries and regions came to Yunnan in 1985 on tours and visits and for trade, sports, scientific, and cultural exchanges, a 28.6 percent increase over the previous year. The total included 47,000 foreigners, a 34.3 percent increase, and 25,000 overseas-Chinese and Hong Kong and Macao compatriots, up 19 percent. Income from tourism amounted to 26.88 million yuan (foreign exchange certificates), up 93.4 percent from 1984.

VII. Science, Education, and Culture

Science and technology advanced amid reform, making fresh contributions to economic construction. The province's 56 key technological popularization projects yielded improved economic results. Of the 23 major scientific and technological hurdles to be tackled, 8 were fulfilled or passed the inspection test. A total of 144 scientific and technological research results won prizes from the provincial government. Last year, 154,100 natural science professionals and technicians were employed in state-owned enterprises and there were 94,500 people working in social sciences.

Education benefitted from structural reform. In 1985 institutions of higher learning enrolled 448 graduate students, 258 more than in the previous year. There were 724 graduate students in the province, 348 more than in 1984, and 98 graduate students completed their degrees. Following the reform of the enrollment and placement systems, universities and colleges enrolled 12,600 students, 3,700 more than in 1984. These schools had a total student body of 32,300 last year, 2,300 more than in 1984. Last year, 54,400 students graduated from these institutions. Adult higher education institutions enrolled 8,200 students, 3,900 more than the year before. The number of students studying in these institutions totaled 159,000, an increase of 5,600 over 1984. Graduates from these schools totaled 2,600.

Restructuring continued in secondary education. Secondary schools had an enrollment of 1,110,900 students, 98,800 more than in 1984. Vocational and technical schools (equivalent to senior middle schools) had 12,800 students; their proportion to the total number of senior middle school students increased from 4.7 percent in 1984 to 4.9 percent in 1985. There were 1,200 students studying at adult middle schools and 24,500 at adult secondary technical schools.

Progress was made in popularizing primary education. In 1985 there were 5,146,600 pupils in primary schools, and the attendance rate of preschool children increased from 92.2 percent in 1984 to 93.1 percent in 1985.

Considerable headway was made in preschool education and programs for the blind, deaf, mute, and mentally retarded.

Cultural units and the media made significant contributions to developing socialist spiritual civilization. The province had 6,888 cinemas and film projection teams, 156 performing art troupes, 130 cultural clubs, 149 public libraries, and 12 museums. In addition, there were 7 broadcasting stations, 24 radio transmitting and relay stations, and 12 television transmitting and relay stations, each with a capacity of more than 1,000 watts. Some 198.86 million copies of provincial newspapers, 11.607 million copies of magazines, and 110,872,100 books and picture books were published last year.

VIII. Public Health and Sports

Medical and health conditions steadily improved. The number of hospital beds in the province reached 68,000 at the end of 1985, an increase of 2.8 percent over the previous year. Professional health workers numbered 87,300, up 3.2 percent from 1984. Of this, 42,700 were doctors (including physicians practicing traditional Chinese and Western medicine), a 4.3 percent increase; and 17,400 were nurses, up 3.8 percent.

Sports made further headway. In 1985 the province's athletes broke two national records on four occasions. Last year, five athletes won the title of master athlete, and sports became more popular all over the province.

IX. Living Standards

Living standards in both urban and rural areas improved in 1985. A sample survey of 2,400 peasant families in 40 counties showed an average per capita net income of 338.34 yuan (including 300.02 yuan from productive activities and 38.32 yuan from cash and articles remitted or brought back by family members working away from home, and relief funds issued by the state), 14.7 percent more than in 1984. If price hikes are factored in, real income increased 8.5 percent. A small number of low-income farmers, however, still led fairly difficult lives.

A sample survey of 500 worker and staff member families in Kunming, Gejiu, and Xiaguan cities showed an average annual per capita income of 761 yuan, a 31.8 percent increase over 1984. Even allowing for the rise in the cost of living, real income for workers and staff members still rose by 17.8 percent.

In 1985 jobs were given to 84,100 people in urban areas. The province had 2,630,000 workers and staff members by the end of the year, 63,600 more than at the end of 1984. Self-employed workers in cities and towns totaled 116,600, an increase of 33,700 over the previous year. The annual wages of workers and staff members in 1985 totaled 3,013 million yuan (the total wages of workers and staff members), an increase of 24.3 percent over 1984, circulated on comparable prices. The average annual cash wages for workers and staff members was 1,171 yuan, 21.1 percent more than in 1984. The actual increase in workers' wages stood at 8.2 percent when the cost of living increase was factored in.

Labor protection work was strengthened somewhat in 1985. The number of workers of state-owned enterprises who died in the course of duty dropped 0.9 percent from 1984.

Urban and rural savings deposits increased by a big margin. By the end of 1985, individual bank savings amounted to 2,984 million yuan, 34.2 percent more than the 1984 year-end figure.

Housing for both urban and rural dwellers improved. Houses completed in cities and towns in 1985 totaled 3.51 million square meters in floorspace, and those built by farmers in the countryside totaled 14.37 million square meters.

Social welfare services continued to improve. There were 34 social welfare institutes in 1985 providing for 1,659 people throughout the province. Social welfare services run by rural collectives developed considerably, providing for 68,000 elderly, disabled, and orphans who had no other means of support.

X. Population

According to a sample survey of 19 counties and cities, the province's birth rate in 1985 was 21.48 per thousand, the mortality rate was 8.02 per thousand, and the natural growth rate stood at 13.46 per thousand. Simple surveys indicated that by the end of 1985 Yunnan had 34,080,000 people, 460,000 more than the 1984 year-end figure.

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CSO: 4006/994

AGGREGATE ECONOMIC DATA

NORTHEAST ECONOMIC ZONE INCREASES INDUSTRIAL OUTPUT, SALES

SK220133 Shenyang DONGBEI JINGJI BAO in Chinese No 39, 19 Apr 86 p 1

[Text] In the first quarter of this year, the industrial output of the Northeast China Economic Zone increased steadily and the total volume of the retail sales of commodities also increased.

According to statistics, in the first quarter of this year, the industrial output value of the Northeast China Economic Zone was 29,785.78 million yuan, an increase of 4.5 percent over the corresponding period of last year. Of this, the industrial output value realized by Liaoning Province was 15,629.78 million yuan, an increase of 3.8 percent; that by Jilin Province was 5,107.27 million yuan, an increase of 8.8 percent; that by Heilongjiang Province was 8,383.5 million yuan, an increase of 1.9 percent; and that by the four leagues and city in the eastern part of Nei Monggol Autonomous Region was 665.34 million yuan, an increase of 25.9 percent.

Of the total industrial output value, the growth rate of the light industrial production was higher than that of the heavy industrial production. Comparing the first quarter of 1986 with that of 1985, the output value of the light industry of the Northeast China Economic Zone showed an increase of 5.9 percent and that of the heavy industry increased by 3.8 percent.

In the first quarter of this year, the total volume of retail sales of commodities of the Northeast China Economic Zone was 15,184.34 million yuan, an increase of 6.4 percent over the corresponding period of last year.

The total volume of the retail sales of commodities of Liaoning Province was 6,078.89 million yuan, an increase of 4.4 percent over the same period of last year; that of Jilin Province was 3,624.09 million yuan, an increase of 11.4 percent; that of Heilongjiang Province was 4,528.39 million yuan, an increase of 3.7 percent; and that of the four leagues and city in the eastern part of Nei Monggol Autonomous Region was 951.97 million yuan (not including the volume of commodities sold by peasants to nonagricultural residents), an increase of 14.9 percent.

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CSO: 4006/1043

ECONOMIC MANAGEMENT

IDEOLOGICAL PRICE REFORM QUESTIONS PRESENTED

Beijing NONGMIN RIBAO [Peasant Daily] in Chinese 26 Mar 86 p 4

[Article by Cheng Zhiping [2052 5268 1627], Director, State Price Bureau: "Several Questions Regarding an Ideological Understanding of the Price Reform"]

[Text] Editor's Note: This is part of the author's talk at a conference where he interpreted and explained certain comments relating to some of the masses' questions regarding pricing. This is a summary of the original that was published in LILUN DONGZH [Theoretical Trends].

"Is Price Reform the Same as Rising Prices?"

China's price reforms are mainly structural readjustments. There are price rises and falls; by no means is it all rises. Nevertheless, in the process of price reform, because of the relatively low prices of some of China's agricultural and basic industrial goods, except for striving to improve enterprise management, lowering consumption, and energetically disposing of some other items, we must basically rationalize prices within the next several years. Prices of some commodity goods and the general price level will increase in a certain number of years and this will be unavoidable. Viewing the commodity price situation over the past several years, under general conditions of moderate changes in the general commodity price level, prices of some commodities rose in a controlled way in accordance with the endurance capacities of the socialist economy. In this way, production was beneficially developed, markets enlivened, there was an abundant variety of goods and the people's livelihood was stable. This also stimulated the strengthening and flourishing of the nation, creating justice and peace. If we firmly suppress retail prices and do not permit them to change, over time this has to contract the margin between commodity buying and selling price differences to the point where it makes them turn around. Fiscal subsidies are greatly increasing, impeding the sale of goods and making more purchasers stand in line. In this way, a crisis may develop at a certain point. For a relatively long period hereafter, China's price reform must strive to protect basic price stability, adopt a method of gradual advance and turn small victories into large ones to achieve the goal of a basically rational price system.

Price Levels and the People's Livelihood.

On the surface, rising prices and improved livelihood are mutually contradictory. Viewing the situation of the past several years, the state increased some commodity prices in a planned and controlled way (of course, uncontrolled inflation must be decisively stopped). This is advantageous to promoting production and improving supplies. On the one hand, commodity price levels increased, and on the other hand, because of increased production the standards of living of broad masses of the people also improved, so it should be recognized that rising price levels and improved livelihood of the people also have a unified aspect.

Viewing the situation in 1985, when price rises compared to previous years were rather large, the income increases of the masses were also rather rapid. Although grain decreased in rural areas, quite a few economic crops increased in output, and most agricultural and sideline product prices were freed. Industrial and sideline industries developed rapidly, and the net incomes of peasants for the year are estimated to be over 10 percent greater than the 1984 level. Generally speaking, because the reform encouraged production, real household incomes of the great majority of the people still increased even after allowing for price rises.

Reforming the Price System: "Liberalization," "Readjustment," and "Market Participation" Are All Necessary

By studying the liberalization of live pork and certain fresh sideline food product prices, the state has determined that negotiated price guidelines must be used for live pork, vegetables and other important sideline food products. Prices will also be regulated under the guideline pricing of the state plan and based on the requirements of the law of value by means of economic processes and necessary administrative measures. State-run stores must positively participate in market readjustment, take up their leadership roles, successfully regulate shortages and surpluses, maintain even prices and stabilize markets. The party Central Committee and the State Council have repeatedly asserted that during comprehensive reform of the price system "liberalization" (price liberalization), "readjustment" (readjustment of commodity prices), and "participation" (participation of state-run stores and supply cooperatives in market readjustment) are all essential. This is an essential condition for the smooth implementation of price reform and is also an important characteristic of a planned commodity economy.

One thing we must oppose after price reform is holding onto old methods and treating liberalized prices as secondary list prices. On the other hand, we must avoid thinking that liberalized prices are not to be managed at all and allowing the market to readjust itself, enduring explosive price fluctuations to the point that once produced, the danger is ignored. This is irresponsible to the state and to the people. We must firmly oppose and put a halt to it.

Practice proves that regarding the price liberalization on meat, vegetables, and other important sideline food products, if the state successfully performs the task of adjusting supply and demand to encourage production and brings into play the leadership role of state-run enterprises, then although prices

will increase for a certain period, they will gradually tend to become rationalized and achieve a relative equilibrium.

Commodity Pricing Requires Comprehensive Management

Some people assert, "Why doesn't the Price Bureau administer prices?" We say that whether prices can maintain a basic stability and promote the continued health and even development of the state economy not only involves pricing departments, but also every economic sector. Even ideological and political work departments are involved to a certain extent. Prices are the manifestation of the law of value. Price changes are mainly affected in three ways: 1. Changes in commodity value. 2. Changes in supply and demand relations. 3. Changes in the quantity of money in circulation. Therefore, to preserve basic price stability, we must improve the economic results of enterprises, produce and supply saleable goods, restrict the production and supply rate of heavy industry and the growth rate of fixed capital investment, and avoid excessive speed. We must limit the growth of consumption funds and credit and overcome the problem of blind inflation. In sum, basically speaking, we cannot overallocate state revenues. We definitely must maintain a balanced supply and demand of materials and commodities. Additionally, we must also strengthen political-ideological work, make each economic department motivated to achieve its best, not disguise price rises, or short, skimp, cheat or harm consumers. We often say the price situation is a comprehensive reflection of the condition of the state economy, and so the pricing problem requires comprehensive management.

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CSO: 4006/958

ECONOMIC MANAGEMENT

SHAANXI PROPOSES FIVE MEASURES FOR STABILIZING PRICES

Xian SHAANXI RIBAO in Chinese 11 Mar 86 p 1

/Article by Chai Liaozi /2693 1675 4371/: "Shaanxi Provincial Government Proposes Five Measures for Stabilizing Commodity Prices"/

/Text/ At a conference on commodity prices in Shaanxi, it was pointed out that the province had, by adopting a series of reforms in 1985, basically resolved the problem posed by the price of grain in the rural areas, readjusted the policy regarding the purchasing and selling of pigs, gradually lifted control over the prices of such perishable subsidiary foodstuffs as meat and vegetables, readjusted freight rates for short-distance railway transportation, relaxed price control over the means of industrial production outside the plan, and engaged in market readjustments. Preliminary reforms of the price structure have effectively served to promote the development of the commodity economy in the province. One major task concerning commodity prices in 1986 calls for consolidation, digestion, replenishment, improvement of the measures which had been adopted for price reforms, and the maintenance of the basic stability of commodity prices. Five specific measures were proposed at the conference for the stabilization of retail prices in the market. First, is the adoption of the contract system, the assumption of responsibility and strict control over the general increase in retail prices. Second, is the exercise of the proper degree of centralized control over commodity prices to forestall random price increases under various pretexts. Third, is the stabilization of prices for key commodities, especially those for subsidiary foodstuffs. Fourth, is the extension of assistance to the enterprises to exploit their potential, countering the effect of price increases in raw materials and readjusting and exercising control over the prices of the means of production outside the plan. Fifth, is the continuous supervision over and inspection of commodity prices to prevent price increases at random in violation of the policy concerning commodity prices.

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CSO: 4006/902

ECONOMIC MANAGEMENT

COMMODITY PRICE DIRECTORS REVIEW INSPECTION WORK

OW151603 Beijing XINHUA in English 0801 GMT 15 May 86

[Text] Beijing, May 15 (XINHUA)--Nationwide price inspection focused on pork, poultry, eggs and other necessary daily goods will be stepped up in the second half of the year, according to the State Administration of Commodity Prices.

In order to make sure the work goes smoothly and effectively, directors of the country's provincial and municipal administrations of commodity prices met here today to discuss concrete measures.

Wang Xinjia, deputy director of State Administration of Commodity Prices, told XINHUA today that the inspection aims to guarantee stable prices and prepare for a further price reform planned for the next couple of years.

He stressed that cases of illegal price rises must be strictly handled according to the relevant regulations.

Since the initial reform of the price system last year, the Chinese Government has paid great attention to keeping prices stable and taken various measures to tackle illegal price rises.

During last year's nationwide price inspection, the state handled more than 394,000 such cases and confiscated over 430 million yuan gained by illegal prices rises, of which about 60 million yuan was returned to consumers.

Observers here pointed out that, apart from some lawless elements, such annoying cases happen because of loopholes in the relevant regulations.

They said that during the seven-day meeting, directors in charge of price monitoring might make up several new regulations, but the sources from the State Administration of Commodity Prices declined to give more information on this point.

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CSO: 4020/329

ECONOMIC MANAGEMENT

HUBEI PUTS FOCUS ON IMPROVING MANAGEMENT OF ENTERPRISES

Wuhan CHANGJIANG RIBAO in Chinese 12 Mar 86 p 1

/Article by correspondent Pi Gongliang /4122 0361 0081/: "Hubei Puts Its Focus on Improving the Management of Its Enterprises"/

/Text/ Guo Zhenqian /6753 2182 0051/, deputy secretary of the provincial party committee and acting governor of Hubei, stated at a provincial economic conference yesterday that the province should seek to improve the management of its enterprises in the industrial and communication battle lines in 1986 by improving their quality, reducing their wastage and heightening their efficiency.

Listing the poor quality of the products, the high rate of energy consumption and raw material wastage and low economic effectiveness of the enterprises as fatal flaws in the economic operations of the province, Guo Zhenqian stated that priority should be given to key products in our effort to improve the quality of our products and to reduce the consumption of energy and raw materials. In setting quality standards for our products, we must at the same time set a quota for energy and material consumption; in inspecting the quality of our products, we must also look into the consumption situation; in evaluating the quality of our products, we must at the same time assess the consumption quota. Thus, while assessing the quality of our products, we should also direct our efforts toward the production of first-rate commodities at the lowest rate of consumption.

While seeking to improve the quality of our products and to reduce consumption, we must also make a serious effort to improve the management of our enterprises. We must have a clear understanding of the need and a sense of urgency to improve the management of our enterprises, so that they may achieve a high standard, a high rate of efficiency and a large measure of staying power.

Stressing the importance of the principles of "consolidation, digestion, replenishment and improvement" and the "three reforms" (a combination of reform, remolding, and reorganization and integration) in production in the industrial and communication areas during 1986, Guo Zhenqian pointed out that the "three reforms" should be applied to the large and medium-sized enterprises without delay. In bringing about reforms, we must carry out the three provisional stipulations issued by the State Council for enhancing the vigor of the large and medium-sized enterprises by continuing to reduce their directive planning,

permitting them to reduce prices to sell their outmoded and overstocked commodities and readjusting and reducing the readjustment taxes levied on some large and medium-sized enterprises to ensure their survival on a priority basis. In the remolding of the enterprises, major support should be given to the large and medium-sized enterprises, so that their products may achieve an advanced technical standard as soon as possible. In bringing about reorganization and integration, full use should be made of their technical and personnel advantage to strengthen their lateral economic contacts to facilitate the distribution of spare parts for the various commodities and to make it possible for them to engage in specialized production. It will thus be possible to give the local township and town industries a headstart and to enable the large and medium-sized enterprises to improve the quality of their products, to develop new products, and to achieve technical progress.

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ECONOMIC MANAGEMENT

BRIEFS

EAST-WEST DEVELOPMENT COOPERATION URGED--Xian, May 16 (XINHUA)--Cooperation between China's energy-short east and the technologically backward west is urgently needed to further the development of the two major regions. At a conference now being held in this Shaanxi provincial capital, experts called for establishing a coordinating office to promote such cooperation. They drew special attention to the economic links among areas along the Longhai and Lanzhou-Urumqi railways that run through Jiangsu, Henan, Shaanxi, Gansu and Xinjiang and their surrounding areas, covering a two-thirds of the country's total area. According to the experts, 80 percent of China's coal reserves, 60 percent of its oil and natural gas, and 40 percent of its hydro-electric potential have been found in the western part of the country. Many Chinese and foreign economists agree that this area has great potential to become one of the Chinese economic centers in the 21st century. Chinese leaders Hu Yaobang and Zhao Ziyang have on many occasions called for closer cooperation between the eastern and western parts of the country. [Text] [Beijing XINHUA in English 1337 GMT 16 May 86 OW] /6662

SOUTHWEST COOPERATION--Kunming, May 20 (XINHUA)--Since agreeing to extend cooperation two years ago, five southwest China regions have over the past two years cast off the administrative divisions in a joint effort for economic progress. According to an economic coordination meeting which opened here today, Sichuan, Guizhou and Yunnan provinces, Guangxi Zhuang Autonomous Region and Chongqing City have signed agreements on 3,600 projects, 46 percent of which have already been implemented. Administratively, Chongqing is under the jurisdiction of Sichuan Province, but financially, it is independent of the province. With assistance from the central government, work is now under way to connect 14 regional highways to improve the southwest China road system, the meeting was told. In addition, they have also built a number of chemical plants and developed mines. At present, the authorities of the five localities are planning to further extend their cooperation in science, technology, culture and education. Encouraged by Chinese leaders Hu Yaobang and Zhao Ziyang, these resource-rich yet economically-underdeveloped localities decided to join hands in developing their economies in 1984. [Text] [Beijing XINHUA in English 1338 GMT 20 May 86 OW] /6662

CSO: 4020/329

FINANCE AND BANKING

ABOLITION OF FOREIGN EXCHANGE CERTIFICATES POSES PROBLEMS

Hong Kong MING PAO in Chinese 11 Apr 86 p 17

[Article by Cai Junhua [5591 0193 5478], lecturer in the Economics Department, Hong Kong University: "Abolition of Foreign Exchange Certificates Poses a Multitude of Problems"]

[Text] The value of a country's currency stems principally from its exchangeability, and the exchangeability of currency has two principal aspects, as follows: First is its exchangeability for other currencies, i.e., the degree of ease with which the currency may be exchanged for another currency. In addition is the exchangeability for goods, i.e., the degree of ease with which the holder of a currency can exchange it for or use it to buy products from the country of issuance. If the exchangeability of a country's currency for the currency or goods of another country is limited solely to the residents of the country, the currency is termed "internally" exchangeable. If it is limited only to the residents of a foreign country, it is termed "externally" exchangeable.

The "internal" exchangeability of renminbi is not high, i.e., residents of China cannot readily convert renminbi into foreign currency. At the same time, it is also not easy to convert the renminbi one holds into the products one wants to buy. This is the main reason that China is a country that exercises centralized state control over foreign exchange, as a result of which residents are not permitted to convert foreign currency at will. At the same time, China is a country that practices a planned economy whereby the production, circulation, and consumption of very many commodities as well as the kinds and amounts of commodities imported and exported are planned. In order to insure plan realization, the state does not permit residents to buy commodities freely and as they please.

Black Market in Renminbi Arises in Response

After institution of the open door policy and the influx into China of a large number of foreign traders and tourists, if renminbi were to have the same very low exchangeability for these people that it has for residents of China, i.e., renminbi being not only limited in exchangeability internally but also externally, both aliens and compatriots from Hong Kong and Macao would find it difficult to convert foreign currency to renminbi or to convert their unused renminbi into foreign currency to be taken out of the country. At the same time, it is would also be very difficult to use the already converted renminbi

to buy things in China. Thus, China's open door policy would be unable to make headway. Consequently, in order for China's open door policy to meet needs while simultaneously maintaining foreign exchange controls and the planning system intact, China, like socialist countries in eastern Europe, has had to maintain limitations on the internal exchangeability of renminbi while at the same time carrying out fairly free exchangeability of renminbi externally. The specific means for keeping these two kinds of exchangeability separate are of two kinds, as follows: One is the method used by other socialist countries, namely, to permit use of foreign currency within the country, but restricting its use to foreign residents. To permit the circulation of foreign currency inside China seems to damage the sanctity of national sovereignty; therefore, China's method has been to issue yet another form of renminbi, namely foreign exchange renminbi, which is also termed foreign exchange certificates. These foreign exchange certificates are like foreign currency. Their exchangeability is very high, and they differ only in that renminbi is used as the unit for figuring their value. These foreign exchange certificates may be used solely by foreign guests in order to keep domestic foreign exchange separate from the commodity market's "internal" and "external" exchangeability.

Theoretically foreign exchange certificates may be used only by foreign guests and by compatriots from Hong Kong and Macao. In practice, however, it is very difficult to separate Chinese from foreign residents. As a result, foreign exchange certificates have come to be used by both Chinese and foreign residents alike. Since exchangeability of foreign exchange certificates is higher than for renminbi, a black market in renminbi has risen in response. As a result, not only has speculation and profiteering been engendered to gain foreign exchange illegally, but national management of foreign exchange and export and import plans has come under attack as well.

Temporarily Difficult for Renminbi To Replace Foreign Exchange Certificates

In order to solve the problems that have been produced since the issuance of foreign exchange certificates, China recently announced intentions to abolish foreign exchange certificates, and to forbid the circulation of other foreign currencies at the same time, as well as its intention to make renminbi the sole currency in circulation in China. Abolition of foreign exchange certificates would serve a positive function in reducing black marketing of renminbi. Nevertheless, abolition of foreign exchange certificates could not completely wipe out the black market in renminbi, because abolition of foreign exchange certificates would not strike at the root causes for the black market in renminbi.

First of all, the main reason for existence of a black market in renminbi is the not very high exchangeability of renminbi itself. Holders of renminbi hope to convert it into a currency of relatively high exchangeability. Therefore, the best way to wipe out the supply of black market renminbi is to increase the internal exchangeability of renminbi itself. As for increasing the exchangeability of renminbi itself for other currencies and real goods, so long as a situation exists of foreign exchange supply being unable to meet demand not only would a tremendous lowering of the foreign exchange value of renminbi be required, but China would simultaneously have to abandon planned management of the production, consumption, exportation, and importation of major goods.

Clearly, it will be very difficult for China to meet these requirements during the next several years.

Second, if the internal exchangability of renminbi cannot be increased and foreign currencies are not permitted to be used in China, in order to maintain the external exchangability of renminbi so as to avoid increasing the inconvenience to foreign guests and so as to hasten the pace of the open door policy appropriately, China has no choice but to seek some other "circulation device" to replace the function that foreign exchange certificates serve. If this new "circulation device" administratively cannot attain being "limited solely to use by foreign guests," this new "circulation device" will turn into another target for renminbi black market exchange.

Therefore, though China has decided to abolish foreign exchange certificates, as a result of various circumstances, this has not materialized and it seems that this will be done will not occur during the next 1 or 2 years.

(Editor's Note: Chinese Communist plans to abolish foreign exchange certificates before 1990 has great ramifications. We have invited quite a few scholars who are well-versed on China's economy, and particularly on currency issues, and people in business circles to compose articles and analyze this problem for this newspaper. Mr Cai Junhua's work is the first of a series of special articles on this subject. Other articles will appear one after another in succeeding weeks, and it is hoped that readers will give attention to them. In addition, beginning next week, Free Forum will increase the number of times it is published, appearing on Monday through Friday for a total of 5 days each week.

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CSO: 4006/975

FINANCE AND BANKING

REGULATIONS ISSUED ON RURAL CREDIT COOPERATIVES LOANS

Beijing NONGMIN RIBAO in Chinese 8 Apr 86 p 2

[Article: "Make Full Use of the People-to-People Lending Role of Credit Cooperatives. Person-in-Charge of the Credit Department of the Main Office of the Chinese Agricultural Bank Answers Correspondent's Questions on 'Rural Credit Cooperatives Provisional Methods For Controlling Credit'"]

[Text] On 28 February, the Main Office of the Chinese Agricultural Bank published "Rural Credit Cooperatives Provisional Methods for Controlling Credit," (hereinafter abbreviated as "provisional methods"). This was the first document issued since the founding of the People's Republic devoted to guiding the credit activities of rural credit cooperatives, and it brought to a close a history of credit cooperatives following the body of methods used by national banks. The correspondent interviewed the person-in-charge of the credit department of the main office of the Chinese Agricultural Bank on pertinent questions about these "provisional methods," asking him for replies to the following questions:

Who are the recipients of credit explicitly cited by the "provisional methods" and what are the requirements for obtaining loans?

Answer: The recipients of credit specifically cited by the "provisional methods" are contracting households, specialized households, and rural cooperative units engaged in farming, forestry, animal husbandry, sideline occupations, and fisheries; enterprises run by townships, villages, or households, and various forms of jointly operated enterprises or new economic partnerships (collectively designated partnerships, the same applying hereinafter) that conduct independent accountings with the approval of authorities concerned; rural cultural and educational, health, and scientific and technical entrepreneurial units that derive income from their operations and can be counted on to repay funds; independent rural economic households and economic partnerships whom authorities concerned have authorized to engage in handicraft industries, businesses, transportation, construction, or the service trades.

Small loans to peasant households in general aside, all other applicants for credit must meet the following requirements: Contracting units (or households) must have contract agreements; joint economic organizations must have joint

agreement documents; industrial, commercial, transportation, construction, and service units or individuals must also have business licenses or construction permits issued by industrial and business administrative units and be qualified as juridical persons. They must conduct independent accounting, be responsible for their own profits and losses, have sources of supply of raw materials, possess skills necessary for production, and have markets for their products. They must themselves be able to put up a proportional amount of funds required by regulations, and a method for sharing excess profits must be spelled out clearly. They must possess usable or salable materials and assets of a value equivalent to the amount of credit issued that can serve as security for a loan. When a unit or individual having requisite economic strength guarantees a loan and the entity guaranteed is unable to fulfill his contractual obligations to repay the loan, the entity that has guaranteed the loan will be held economically responsible for repayment. In addition, the lender must establish a savings account in a credit cooperative. The lender must regularly provide the cooperative with production plans and statements of financial earnings, accepting supervision and inspection by the credit cooperative.

In addition, cadres in national organizations and cadres and staff members in banks and credit cooperatives may not obtain loans from credit cooperatives.

What provisions does the "provisional methods" contain with regard to time limits and interest rates on loans?

Answer: Cooperatives may set the period of a loan in accordance with the production cycle of the trade to which the loan is made. The period of loans for production or of personal loans may not exceed 1 year at most, and loans for production equipment may not be for a period longer than 3 years. Loans must also be made on the basis of the overall ability of the borrowing unit to repay the loan, the amount of the loan to be repaid year by year and payment by payment being decided through discussion between borrower and lender. These terms are to be noted in detail in the lending agreement and are to be strictly adhered to.

Credit cooperatives may use nationally decreed basic interest rates as a basis for applying variable interest rates to loans. Variable interest rates may be set higher or lower depending on the social benefit derived from the endeavor for which the loan is issued, the amount of profit to be derived, ability to repay, and credit rating of the borrower. In some cases, the variable interest rate will be close to the market interest rate, the extent to which the interest rate varies and the limits of variation to be determined by individual credit cooperative branches. Credit cooperatives are to figure interest on loans to township and town enterprises quarterly; interest on all other loans is to be figured annually.

What are the limits on examination and approval authority and procedures for loans provided for by the "temporary methods"?

Answer: Credit cooperatives are to conduct rigorous examinations preliminary to approval, and are to adhere to a system of collective examination and

approval for large loans. They are to carry out a policy of collection by the entity that makes the loan.

When a borrowing unit wants to make a loan, it must prepare a loan request. Before the credit cooperative issues the loan, it must conduct a feasibility study, selectively deciding which projects are to be supported. Only following level by level examination and approval within the limits of authority may the loan be granted. Loan procedures may be simplified where the period of the loan is short, the amount small, and the peasant household has a good credit rating. Once a loan agreement has been signed according to law, it has the force of law. Should either side want to change or abrogate the original agreement, it must notify the other party in writing at once. Until such time as this agreement takes effect, the original agreement remains in force.

Before a loan may be issued, item-by-item assessment and verification of sums must be made. Collective proof for loans to be issued to individuals, or individual proof for loans to be issued to collectives is inadmissible. Credit cooperatives are to make checks after issuing loans to insure that loans are being used properly.

In the issuance of loans, credit cooperatives are to institute a system for compliance when loans are due for repayment. Before a loan is due for repayment, the credit cooperative must issue a reminder to the borrowing entity. If the borrowing entity is temporarily unable to repay the loan, it must make a request for an extension to the credit cooperative 3 days before the loan is due for repayment. After approval has been issued, procedures for an extension of the loan period may be carried out. Extensions are to be controlled tightly, and may be granted only once. The maximum extension may not be longer than the period of the original loan.

Democratic management is to be practiced in the issuance of loans, with a bolstering of supervision by the masses. Credit cooperatives are to publicize regularly or irregularly, either orally or in writing, the status of loans for the information of commune members, and they must heed the suggestions and reactions of the masses. They are also to conduct analytical studies to propose actions for improvement. They are also to set up files on borrowers to improve management of loan funds.

What provisions do the "temporary methods" contain on punishment of those who violate credit discipline?

Answer: Should any entity use funds for purposes other than those prescribed in a loan agreement or receipt for a loan, the credit cooperative has authority to recover all or part of the loan. When funds are used in violation of agreements or not in accordance with the period of time stipulated in an agreement, an interest penalty amounting to 50 percent of the agreed upon interest rate is to be imposed for the amount of funds thus used. In serious cases, issuance of new loans may be halted for a fixed period of time. Should loans fail to be repaid when due and no extension has been requested, a penalty interest based on the original interest rate is to be

paid on the portion in arrears. In addition, credit cooperatives are empowered to garnishee loan funds from the savings accounts of borrowers as well as to take over their property. When loans are used for illegal activities, such funds are to be recovered at once and penalty interest payments collected as well. Serious cases are to be reported to judicial institutions for disposition.

Credit cooperatives that do not provide loans for the period of time and the amount stipulated in agreements are to pay interest penalties in accordance with the interest rates stipulated in the agreements and for the period of time that such agreements have been violated.

9432

CSO: 4006/975

FINANCE AND BANKING

FOREIGN INVESTORS ATTRACTED BY TAX BENEFITS

OW170838 Beijing XINHUA in English 0639 GMT 17 May 86

[Text] Beijing, May 17 (XINHUA)--China will continue to offer foreign investors generous tax conditions in the future in a bid to attract more foreign funds.

Since the law on income tax for joint ventures using Chinese and foreign investment was passed in 1980, China has published several detailed regulations concerning taxation of foreign investors.

In coastal cities and regions open to the rest of the world, the normal 30 percent rate of income tax on company earnings has been halved to 15 percent for firms introducing much-needed advanced technology.

The 15 percent rate is also applied to enterprises backed by foreign investment of more than 30 million U.S. dollars and those who require long periods to recover investment.

And all enterprises backed by foreign investment in special economic zones enjoy the 15 percent tax rate, which can also apply to energy and transport ventures, according to an official of the state taxation administration.

Outside economic zones, enterprises solely backed by foreign investment are taxed at between 20 and 40 percent according to their level of investment.

These measures, introduced in late 1984, have been effective in encouraging foreign investors to China, the official said.

By the end of last year, the number of Sino-foreign joint ventures amounted to more than 3,700, and there were 120 enterprises backed solely by foreign investment. There were 1,500 representative offices of more than 520 foreign firms in China.

Deals involving direct foreign investment signed between 1980 and 1985 were worth 1.7 billion U.S. dollars. The official added that still greater effort was needed to tap the potential of banks to make more rational use of foreign funds.

/6662

CSO: 4020/329

FINANCE AND BANKING

BRIEFS

PERSONAL FOREIGN CURRENCY SAVINGS UP--Beijing, May 16 (XINHUA)--China's personal foreign currency savings have reached the equivalent of more than 200 million U.S. dollars, a 20 percent increase over the figure for the end of last year, according to INTERNATIONAL BUSINESS. South China's Guangdong Province ranks first as regards the amount of personal foreign currency savings. Beijing and Shanghai municipalities and Fujian Province come close behind, said the paper. Such savings are useful for investment in Sino-foreign joint ventures, technical retooling of enterprises, and boosting production for export, the paper noted. [Text] [Beijing XINHUA in English 0056 GMT 16 May 86 OW] /6662

CSO: 4020/329

INDUSTRY

XINJIANG DOUBLES LIGHT INDUSTRY OUTPUT VALUE

Urumqi XINJIANG RIBAO in Chinese 22 Jan 86 p 1

/Article by reporter Liu Xiaofeng /0491 2556 7364/: "Light Industry in Xinjiang Region Triumphantlly Doubles Its Output Value; Output Value and Tax for Profit in 1985 Increase 111 Percent and 136.7 Percent, Respectively, Over 1980 Fulfilling 1990 Tax for Profit and Output Value Plans 5 Years Ahead of Schedule"/

/Text/ Designated professions and trades under light industry in the Xinjiang Autonomous Region realized output value of more than 950 million yuan in 1985, an increase of 111 percent over 1980, showing an average annual increase of 16.2 percent. By the end of 1985, the tax for profit materialized came to more than 220 million yuan, which represents an increase of 136.7 percent over 1980 and an average annual increase of 18.8 percent. Light industry's output value of tax for profit was coubled over 1980, thus fulfilling the 1990 plan 5 years ahead of schedule.

During the Sixth 5-Year Plan, Xinjiang's light industry developed more than 830 new products and varieties; there was a marked increase in the output of products such as beverage, wines, canned goods, cigarettes, dry battery cells, powdered soap, and many other consumer goods for daily use, whose output had doubled and redoubled. The quality of products had also improved noticeably, with 73 appraised by pertinent central departments and the autonomous region as quality products. Their excellent achievements are attributable to the following:

—The implementation of the economic responsibility system from top to bottom, with every level committed thereby to solving the problems of having workers and staff members eat from the same big pot of enterprises and enterprises eat from the same big pot of the state, and greatly reducing the number of enterprises of light industry in the Xinjiang region operating at a loss.

—Conscientious implementation of the policy of opening to the outside and vigorous pursuit of the work of importing from abroad and cooperating with units in the interior. During the Sixth 5-Year Plan, 19 items were imported from abroad, most of which had been put into operation and achieved results; there were also more than 300 projects of economic cooperation with fraternal provinces, municipalities, and areas in the country, thereby bringing about

some changes in the shoddy processing of substantial materials by Xinjiang's light industry enterprises and markedly improving economic results.

—Exploiting the advantage of local resources, following the road of developing light industry by the state, collectives, and individuals, extensively absorbing idle funds in society and giving priority in developing food, leather, paper, plastic, clothing, and packing industries and items of specially needed by national minorities.

12661/12228

CS0: 4006/903

INDUSTRY

CHINA'S LIGHT INDUSTRY DEVELOPMENT TARGETS SET

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 4 Mar 86 p 1

/Article by reporters Li Qian /2621 5409/ and Li Hexin /2621 0735 0207/:
"China's Light Industry Sets Development Targets; Considerable Progress Will Be Made in Food, Clothing and Durable Consumer Goods During Seventh 5-Year Plan"/

/Text/ It is learned from the national conference of light industry department and bureau directors which opened on 3 March that considerable progress will be made during the Seventh 5-Year Plan in the production of food, clothing, durable consumer goods, paper, salt-processing, synthetic detergents, plastic products, photosensitive materials, leather and hides, furs and related products, art, craft, and interior decoration items, cultural and educational articles and sports goods, articles for national minorities, and various types of small commodities by light industry to cope with the national economic development and the people's needs for basic articles for daily use.

Light industry is responsible for supplying consumer goods which account for more than one-third of the purchasing power in society. This is especially true during the Seventh 5-Year Plan when the people's consumption pattern, the consumption structure, and the consumption concept will be changing. The range of consumption of people in urban and rural areas will also expand with each passing day and the level of consumption will rise repeatedly. All this calls for new progress in both quantity and quality in the production of consumer goods at home.

It is understood that during the Seventh 5-Year Plan the state will increase a certain amount of investment for developing production in the light industry system and plan to continue construction on 25 large and medium projects and 44 new projects and totally integrated subsidiary projects for 7 production lines to produce beer, clothing, paper, canned goods, beverages, glass vases and containers, and leather. The productive capacity of a number of products, such as paper, sugar, beer, and beverages is expected to increase greatly. In spite of all this, a certain gap still remains between light industrial development and the rise of living standards.

The conference emphasized that to enhance the productive capacity of certain products in short supply and boost capacity to ensure continuous growth of

light industry, it is imperative to arrange for a certain number of capital construction projects. However, we should never aim only at expanding the scale of capital construction in developing light industry. We must be aware that many enterprises have conspicuous problems characterized by high material consumption, low labor productivity, and poor economic results, thus making it more pressing and realistic for us to get on with technological transformation of existing enterprises and to publicize modern management. Moreover, we should pursue reform constantly and steadily, invigorate more than 1,000 large and medium enterprises in priority, and improve measures for reforming small enterprises, including those that have been put into effect in state and collectively owned enterprises. Except for a handful of light industry products bearing on the national economy and the people's livelihood that are under state control, we should adequately decontrol the prices of light industry products, especially those of small commodities, and gradually harmonize the price system. We should further develop lateral economic ties, exercise stringent control over professions and trades, organize transregional and transdepartmental enterprise groups in various forms and scale, and enhance the competitiveness of products in the domestic and world market with "hot-selling" goods as the lead and by relying on backbone enterprises.

12662/12228

CSO: 4006/903

INDUSTRY

SHAANXI HOLDS MEETING TO BOOST INDUSTRIAL PRODUCTION

HK221544 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 21 May 86

[Text] Yesterday afternoon [21 May], the provincial government held an on-the-spot meeting on directing industrial production, demanding that all staff members and workers on the industrial and communications front throughout the province work hard to contribute more to the fulfillment or overfulfillment of the quotas for production for the first half of this year.

In his speech at the on-the-spot meeting, Zeng Shenda said: Industrial production and communications in our province rose and fell in the first 4 months of this year. The salient problem was that development was uneven and speed less than ideal. To fulfill the quotas for production for May and June, we must now pay attention to grasping the following several aspects of work well:

1. In national defense, it is necessary to vigorously produce military articles, to develop articles for civilian use, and to make up for the shortfall in output. The units which fulfill their quotas relatively well must be rewarded. The leadership groups which bungle the chance and adversely affect the progress of production must be promptly readjusted and existing problems solved.

2. It is essential to vigorously grasp production in the key places and key trades and production of the key products. Three cities, Tongchuan, Xianyang, and Xian must take measures to alter the passive situation. Apart from the national defense industry system, the four key trades, including petrochemical industry, coal industry, textile industry, and electronics industry, must firmly grasp the weak links and promote the development of production. All departments and prefectures must regard the items which have big production runs and which are marketable as the key point and expand production and increase output through cooperation or by creating favorable conditions. Regarding the newly-built projects and modified projects which will soon be put into operation or which have partly been put into operation, we must step up winding up on the one hand and on the other hand, carry out careful organization and make very good preparations for putting them into operation in order to ensure that these projects work successfully on their first test run and will be put into operation at an early date.

3. It is imperative to strengthen sales ability and to enliven sales activities. Some sales people can be suitably rewarded. The departments of finance, audit, and tax and banks must support enterprises' rational sales, provide service, and facilitate the development of enterprises' production.

4. It is necessary to relax the policy of loans and to guarantee the supply of materials. All prefectures, cities, and industrial departments must strengthen coordination with the banks and material departments, and make good arrangements for the issuing of loans and for the supply of materials.

5. It is essential to really strengthen leadership over the organization of industrial production. The provincial government has organized a group for grasping industrial production in the whole province, held regular meetings, and grasped this work thoroughly. All prefectures, cities, and industrial departments must also take certain measures to strengthen leadership over the organization of industrial production.

At the meeting, the state-run (Huashan) Machinery Plant and Northwest First Printing and Dyeing Mill respectively introduced their experiences in persisting in reform and strengthening management.

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CSO: 4006/1043

INDUSTRY

BRIEFS

FRG-SHANGHAI JOINT AUTO VENTURE--Beijing, May 17 (XINHUA)--The Shanghai Volkswagen Corporation, a joint venture between China and the Federal Republic of Germany, produced 1,564 cars during the first three months of this year, today's PEOPLE'S DAILY reported. The biggest joint venture in China's automotive industry produced 1,733 "Shanghai-Santana" cars in 1985, the first year of the corporation's operation. The factor is expected to produce 8,000 Santana cars by the end of this year, the paper said. The 1990 target is to produce 300,000 cars and 500,000 engines annually, when technical re-vamping and the renovation of workshops is completed, it said. [Text] [Beijing XINHUA in English 0620 GMT 17 May 86 OW] /6662

CSO: 4020/332

SMALL-SCALE ENTERPRISES

HUNAN PLEDGES DEVELOPMENT OF TOWNSHIP, TOWN ENTERPRISES

Changsha HUNAN RIBAO in Chinese 21 Feb 86 p 1

/Article by commentator: "Hunan Pledges Unremitting Efforts To Develop Its Township and Town Enterprises"/

/Text/ The development of township and town enterprises in Hunan has been speeded up in recent years. The gross income of township and town enterprises in 1985 came to 9.5 billion yuan, showing an increase of 47.5 percent compared to the previous year. The development of township and town enterprises has served effectively to promote the readjustment of the structure of rural industries, the employment of surplus labor in rural areas, the development of commodity production, the establishment of small cities and towns in the rural areas, the development of lateral economic relations between the cities and rural areas, and the establishment of spiritual civilization in the rural areas. Numerous instances point to the fact that the development of township and town enterprises is essential to the invigoration of the rural economy and the doubling of agricultural production.

While the overwhelming majority of our comrades favor the development of township and town enterprises, there are those who hold different views.

Some comrades feel that township and town enterprises are being developed at too rapid a pace and that it should be reduced to avert the creation of shortages in various areas. It is true that township and town enterprises developed at a high rate of speed in 1985 and that certain businesses were developed in a haphazard manner. Generally speaking, however, these enterprises have been developed in a proper and healthy way and not at an excessive rate of speed. Although the township and town enterprises in our province had an early start, they have been slow in long-term development and have a weak foundation, so that their potential is considerable. Compared to the more advanced provinces and cities, our province still lags far behind. For instance, the gross production value of the township and town enterprises in our province came to only one-fourth of that of Jiangsu and less than half of that of Zhejiang. Furthermore, the township and town enterprises in our province are being developed at an uneven rate. While the production value in some counties and cities has exceeded 400 million yuan, that of most counties and cities is only in the millions or 10 millions. That goes to show that we are correct in promoting the healthy development of our township and town enterprises instead of adopting

a negative attitude and relaxing our efforts. Most of the existing township and town enterprises in our province are of the labor-intensive type involving little capital construction and small amounts of investment. They tend to yield rapid results and to call for the consumption of a large amount of live labor and a relatively small amount of materialized labor. With the strengthening of macroeconomic control, the shortage of funds and energy resources is not likely to be exacerbated.

Some comrades put the blame for the reduction of grain production in our province last year on the excessive speed in the development of township and town enterprises. This view is entirely without justification. The reduction in grain production in our province last year was due to a number of factors. First, it was a result of serious natural disasters; second, it was due to the reduction in the acreage for grain production resulting from the readjustment of the industrial structure in the rural areas; third, it was a result of the relaxation of leadership in agricultural production in certain areas. All these factors have nothing to do with the development of township and town enterprises. On the contrary, the development of township and town enterprises has increased the value derived from the processing of many agricultural sideline products, offered greater incentive to the peasants to engage in planting and breeding operations, increased the income of the peasants and collectives and contributed to the stable increase in agricultural production by making use of the industries to promote agriculture. If the township and town enterprises had not been developed to compensate for losses in agricultural production last year, greater difficulties would have surfaced this year.

Pointing to the many problems plaguing the township and town enterprises, some comrades have expressed certain doubts regarding their development. It cannot be denied that certain problems do exist in the development of township and town enterprises. For instance, some enterprises tend to rush headlong into production in a haphazard manner; some inefficient enterprises produce commodities of poor quality and at high cost; some incur a high rate of accidents and contribute to the pollution of the environment. These problems must be properly dealt with instead of being swept under the carpet. However, these problems have emerged while progress is being made and are incidental to the development of township and town enterprises which, after all, are something new. Due to the lack of experience and the slow dissemination of information, such problems are to be expected in the process of development. We would be indulging in fantasy and ignoring realities not to expect the emergence of certain problems. What we should do is to dedicate ourselves to helping the township and town enterprises to benefit from their experience, to overcome their shortcomings and to resolve their problems.

It is incumbent upon those in party and administrative leadership positions in various areas and the concerned departments to regard the development of township and town enterprises as a development of a strategic nature and as an important item on the agenda, to implement conscientiously the basic policy of developing township and town enterprises set by the central and provincial governments, to render active support to the policy, to engage in proper planning, to provide sound leadership, to strengthen their control, and to render wholehearted service so that township and town enterprises may be developed in a sustained and healthy manner.

CONSTRUCTION

BEIJING TO REDUCE CAPITAL CONSTRUCTION SCALE

HK161045 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1014 GMT 14 May 86

[Text] Beijing, 14 May (XHONGGUO XINWEN SHE)--Beijing Municipality will reduce the scale of capital construction by a big margin this year. The construction area will be reduced from some 40 million square meters, which was originally planned by various departments at the beginning of this year, to about 23 million square meters.

In his report submitted for approval to the municipal people's congress, Beijing Mayor Chen Xitong said: An excessive scale of capital construction will further aggravate the city's shortage of land and building materials. He hoped that various central departments and army systems in Beijing would understand and support Beijing's measures in reducing the scale of capital construction.

A group for examining construction projects, composed of specialists and departments concerned, is examining and readjusting major projects and projects involving foreign capital. It is expected that the construction of a number of guesthouses and office buildings will be canceled or postponed.

Wang Jun, chairman of the municipal planning committee, said: The construction of infrastructure for water supply, power supply, communications, and so on will be given priority. The construction of seven restaurants and hotels which involve foreign capital, including the guesthouse of Beijing Restaurant which involves the capital of Hong Kong businessmen, will not be affected by the reduction of the scale of capital construction. The construction of residential houses will maintain a relatively high pace. It is expected that 4.5 million square meters of residential houses will be completed by the end of this year.

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CSO: 4006/1043

CONSTRUCTION

AERONAUTICS INDUSTRY BUILDING LARGE AUTOMOBILE BASE

Beijing ZHONGGUO JIXIE BAO in Chinese 18 Mar 86 p 1

/Article by reporter Ge Yunchi /5514 6663 3069/: "Construction of One of China's 10 Largest Automobile Bases Has Started in Aeronautics Industry; During the Seventh 5-year Plan Period, It Will Have the Capacity To Produce 100,000 Minicars and 140,000 Engines Annually and a National Center of Automobile Industry Models Will Also Be Built"/

/Text/ The construction of a minicar production base is being arranged with the Harbin Aircraft Manufacturing Plant of the Ministry of Aeronautics Industry, the Andong Machinebuilding Plant, and the Jingdezhen Changhe Aircraft Manufacturing Plant as the main body, it will be shaped into a capacity for production of 100,000 minicars and 140,000 engines annually. This base will be China's largest minicar production base after Tianjin and also one of China's 10 largest automobile industrial bases.

China's aeronautics industry is clearly related to its automobile industry. In many respects, they have similar production equipment and manufacturing processes, and many qualified people in the aeronautics industry came from the automobile industry; in addition, the aeronautics industry's enterprises also engaged in the production of automobiles in the past. All this has laid favorable conditions for departments of the aeronautics industry to develop the automobile industry.

Since the 3d Plenum of the 11th CPC Central Committee, in compliance with the state unified planning and guided by the principle of "ensuring military needs while shifting toward civilian production and integrating military with civilian production," the Ministry of Aeronautics Industry has decided to import from a Japanese company advanced 1980's-level model cars and technology and arranged for the construction of a minicar production base. After more than 5 years of hard work, a minicar production base with the Harbin Aircraft Manufacturing Plant, the Andong Machine-Building Plant, and the Jingdezhen Changhe Aircraft Manufacturing Plant as the main body and composed of more than 200 transdepartmental and transprovincial, and transtrade factories has emerged in embryonic form. The 0.6-ton Songhuajiang Brand minitrucks and the Changhe Brand bakery minitrucks they have developed passed the state appraisal in October 1985, reaching the level of the Japanese models. By the end of 1985, these factories had produced more than 5,600 minicars and more than 13,000 engines, attaining the level of producing more than 80 percent of the cars entirely at home.

At the moment, the technological transformation plan of the minicar production base of the Ministry of Aeronautics Industry has been listed as a key state project of technological transformation during the Seventh 5-Year Plan period. The approved first-phase project to be completed by 1987 will have a capacity of producing 100,000 automobiles and 140,000 engines annually.

Recently, the Ministry of Aeronautics Industry signed a joint investment agreement with the China Automobile Industrial Corp. and the pertinent enterprises of these two units. By taking full advantage of the superior designing by the large-sized computer, drafting machine, and measuring machine of the departments of the Aeronautics Ministry and on the basis of the superior manufacture by high-precision machine tools such as the data control and processing center, methods and equipment for measuring and testing will be increased and improved and a technological transformation will be made. A national automobile industry model center will be established by the end of 1988.

12662/12228

CSO: 4006/903

CONSTRUCTION

XINJIANG LEADERS ATTEND PETROCHEMICAL PLANT OPENING CEREMONY

HK021325 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 1 May 86

[Excerpts] The construction project of the Zepu petrochemical plant was started today in a petroleum base in southern Xinjiang. The project is a key project of the CPC Central Committee and the State Council to support and develop the region.

Wang Enmao, vice chairman of the CPPCC and chairman of the regional advisory commission; Li Tianxiang, vice minister of petroleum industry; Jiao Liren, advisor; Song Hjanliang, Tomur Dawamat, Janabil, (Tan Guangcai), Huang Baozhang, (Chailichimu Silamu), Bai Chengming, (Jin Yinghui), and Chen Shi, leaders of the regional party, government, military, and corps, attended the opening ceremony for the construction of Zepu petrochemical industrial plant project.

Also present were responsible comrades of the regional administrative bureau for the petroleum industry; Kashi, Hotan, and Kizilsu prefectures and autonomous prefectures; as well as over 5,000 people from places across the country, who are participating in the construction project.

The opening ceremony was presided over by Huang Baozhang, vice chairman of the region. Tomur Dawat, deputy secretary of the regional CPC committee and regional chairman, delivered a speech at the ceremony.

He said: The CPC Central Committee and the State Council are paying much attention to the building of the region, as well as the region's people of various nationalities. Now, the construction of the Zepu petrochemical industrial plant project has resulted from the attention paid to the region by the CPC Central Committee, the State Council, and other departments concerned, including the Ministry of Petroleum Industry. The leadership and departments concerned at various levels in the region, as well as various trades, must fully understand the significance of the project. They should spare no effort in supporting this project in terms of manpower, material, and financial resources, so as to strive to complete it and put it into operation by 1 May 1989.

Li Tianxiang, vice minister of petroleum industry, spoke at the ceremony. He said he will try his best to support the construction of the project, so as to contribute to putting an end to the backward situation in the area sooner.

As music played, Wang Enmao, vice chairman of the CPPCC and chairman of the regional advisory commission; and Jiao Liren, advisor to the Ministry of Petroleum Industry, cut the ribbon for the construction of the Zepu petrochemical plant project.

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CSO: 4006/1043

CONSTRUCTION

BRIEFS

NEW SHIPS BERTHS IN LIAONING--Shenyang, May 14 (XINHUA)--Liaoning Province in northeast China is to build 26 new ship berths during the seven five-year plan period (1986-1990), with a capacity of handling more than 20 million tons of goods annually. As a result, the province's handling capacity will go up to 63.7 million tons a year when the construction is completed. There are four large harbors, including Dalian harbor, the second-largest in the country, in Liaoning Province, which is an important industrial region and the communications channel to Jilin and Heilongjiang provinces, and the Inner Mongolia Autonomous Region. The development of shipping berths will be centered on Dalian harbor and include Dandong, Yingko and Jingzhou harbors. China is to build 100 deepwater berths with a capacity of over 10,000 tons of cargo per year each during this period, of which 20 will be set up in the province. In addition, of 80 medium and small berths to be constructed throughout the country, 16 will be built in Liaoning. Already under way are the construction of three berths with a total capacity of 9,000 tons a year--one in Dalian, and two in Yingko. They will be completed within this year. Meanwhile, the construction of another four berths with a total capacity of 14,000 tons is due to start in Dandong city. [Text] [Beijing XINHUA in English 0553 GMT 14 May 86 OW] /6662

CSO: 4020/332

FOREIGN TRADE AND INVESTMENT

HEILONGJIANG GOVERNOR MEETS JAPANESE ECONOMIC DELEGATION

SK170538 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 15 May 86

[Excerpts] The Japan's Hokkaido Prefectural economic delegation, headed by (Suzuki Shigeru), president of the (Pozhi) Bank of Hokkaido, called on the provincial government this morning. Governor Hou Jie met with all members of the delegation and made a friendly and warm speech.

Governor Hou Jie said: Heilongjiang Province and Hokkaido Prefecture are similar in terms of natural resources and geographical conditions. With a good foundation for conducting cooperation, we believe that the visit of the delegation will certainly promote and develop the friendly cooperation and exchanges between the province and the prefecture in the economic, scientific and technological, and cultural fields. Since last August, more and more Japanese friends, in particular, the friends from financial and industrial circles in Hokkaido Prefecture, have visited our province to conduct economic and technological cooperation and trade talks. I shall lead a Heilongjiang provincial delegation to visit your country in the near future and to formally sign a protocol on establishing friendly relations between the province and the prefecture. And then, the friendship between Heilongjiang and Hokkaido will enter a new stage of development.

The Hokkaido Prefectural economic delegation, headed by (Suzuki Shigeru), president of the (Pozhi) Bank, is composed of the members of 14 enterprises and limited companies in the banking, agricultural, forestry, aquatic products industry, and farm machinery fields. The delegation arrived in Harbin City on the morning of 14 May. During its stay in Harbin, the delegation will hold talks with our province on the issues of developing bilateral trade, economic, and technological cooperation.

Governor Hou Jie will host a banquet for all members of the delegation in the (Huayuncun) Guesthouse this evening.

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CSO: 4006/1040

FOREIGN TRADE AND INVESTMENT

TEXT OF CHINA COUNCIL REGULATIONS

HK150342 Beijing RENMIN RIBAO in Chinese 5 May 86 p 2

["Regulations of the China Council for the Promotion of International Trade"]

[Text] Chapter I

General Provisions

Article 1. The China Council for the Promotion of International Trade, that is, the China Chamber of Commerce for Foreign Trade [Zhong Guo Dui Wai Shang Hui 0022 0948 1417 1120 0794 2585], is called Chinal Council for Promotion of Trade [Zhong Guo Mao Cu Hui 0022 0948 6319 0191 2585] for short.

Article 2. The China Council for Promotion of Trade is a nationwide non-governmental organization dealing with foreign economic relations and trade, which is formed of representative figures, enterprises, associations, and organizations of the Chinese economic and trade circles.

Article 3. The purpose of the China Council for Promotion of Trade is to boost foreign trade, make use of foreign capital, introduce advanced technology from foreign countries, promote economic and technological cooperation in various forms with foreign countries, expedite the development of international ties in the trade, economic, and technological fields, and enhance mutual understanding and friendship between the Chinese people and all peoples in the world and between the Chinese and foreign economic and trade circles, in accordance with the policies, laws, and decrees of the PRC Government.

Article 4. The China Council for Promotion of Trade is a corporate body which, in its capacity, is entitled to sign with its foreign counterparts agreements, protocols, and other documents at the non-governmental level with a view to promoting trade and economic and technological cooperation.

Article. 5. The China Council for Promotion of Trade is sited in Beijing.

Article 6. Branches of the Council for Promotion of Trade shall be set up in provinces, autonomous regions, municipalities, and cities separately

listed in the state plan of the PRC; and sub-branches shall be set up in cities under the jurisdiction of provincial and autonomous regional governments.

Chapter II

Functions

Article 7. The functions of the China Council for Promotion of Trade are:

1. To carry out investigations and studies, provide Chinese and foreign enterprises and organizations concerned with information and consultative service relating to trade and economic and technological cooperation, introduce partners for cooperation, and make efforts to promote foreign trade, to make use of foreign capital, to introduce advanced technology, and to initiate technological transformation projects in enterprises.
2. To make efforts to strengthen ties with the economic and trade circles of all countries, invite individuals, as well as delegations, from foreign economic, trade, and technological circles to visit China, take charge of entertaining them, and organize tours for delegations and study groups of the Chinese economic, trade, and technological circles to visit foreign countries.
3. To develop ties with foreign chambers of commerce, economic and trade associations, and other international economic and trade organizations, join international economic and trade organizations or participate in their activities, keep in touch with the Beijing offices of foreign industrial and commercial organizations which are the foreign counterparts of the China Council for Promotion of trade, and when necessary, commission permanent representatives or set up representative organs abroad.
4. To participate in, organize, or cosponsor with its foreign counterparts international conferences concerning international economic affairs and trade.
5. To encourage and help Chinese enterprises and organizations relating to foreign economic relations and trade to host abroad economic and trade exhibitions or to participate in international expositions, and act as their coordinator in these activities.
6. To arrange for foreign parties to hold economic, trade, and technological exhibitions in China, sponsor multinational exhibitions and international expositions, act as the coordinator for the Chinese parties concerned in entertraining their foreign counterparts which hold economic, trade, and technological exhibitions in China, and establish and manage the China International Exhibition Center.
7. To promote and organize technological exchanges between China and foreign countries, and take charge of collection, distribution, display, and

exhibition of catalogues and samples of foreign new products as well as various foreign scientific and technological publications.

8. To provide service with regard to foreign economic relations and trade and maritime legal affairs, accept and hear cases of general and particular average adjustment, issue certificates of origin for products exported from China and certificates of force majeure, and sign, issue, and endorse documents relating to foreign trade and freight service.

9. To act as authorized agent of clients in applying for patent and trade mark registration, provide consultative service regarding industrial property right and trade of technology, and assist in handling disputes concerned.

10. To publish and distribute related journals and books, organize economic and trade symposiums, present China's principles and policies relating to and development in economic construction and foreign economic relations and trade, provide information on import and export commodities, and promote exchange and cooperation with foreign promotion and publishing organizations relating to the economic and trade circles.

11. To guide the branches of the China Council for Promotion of Trade in their operation.

12. To handle other affairs with a view to promoting economic relations and trade.

Chapter III

Membership

Article 8. The China Council for Promotion of Trade is composed of individual members, enterprise members, and corporate members:

1. Individuals, scholars, and researchers engaging in foreign economic relations and trade can join the China Council for Promotion of Trade as individual members;

2. Enterprises relating to foreign economic relations and trade can join the Council as enterprise members; and

3. Organizations, bodies, associations, and academic institutions relating to foreign economic relations and trade can join the Council as corporate members.

Article 9. Branches of the Council for Promotion of Trade set up in provinces, autonomous regions, municipalities, and cities separately listed in the state plan of the PRC are ex-officio members of the China Council for Promotion of Trade.

Article 10. A member has the following rights:

1. The right to vote, to elect, and to stand for election;
2. The right to make suggestions on and to supervise the work of the China Council for Promotion of Trade;
3. The right to participate in the activities concerned of the China Council for Promotion of Trade; and
4. The priority of enjoying the service and assistance rendered by the China Council for Promotion of Trade.

Article 11. A member shall perform the following obligations:

1. To observe the regulations of the Council;
2. To assist in and undertake the work assigned by the China Council for Promotion of Trade; and
3. To pay membership dues (individual members are exempt from the payment of membership dues).

Chapter IV

Organization

Article 12. The highest organ of power of the China Council for Promotion of Trade is the members' representative assembly, with the committee of the assembly as its standing body.

Article 13. The members' representative assembly is to be convened once every 5 years by the committee of the assembly. An interim members' representative assembly shall be convened when the committee deems it necessary. Two-thirds of the representatives will form a quorum for a members' representative assembly.

Article 14. The functions of the members' representative assembly of the China Council for Promotion of Trade are:

1. To fix the working guidelines, tasks, and plans;
2. To examine and adopt work reports submitted by the committee;
3. To discuss important matters concerned and formulate resolutions;
4. To ratify and revise the regulations of the China Council for Promotion of Trade; and
5. To elect the committee.

Article 15. The committee is elected for a term of 5 years. It must meet at least once a year, and one-half of the committee members will form a quorum for a committee meeting.

Article 16. The duties of the committee are:

1. To implement resolutions adopted by the members' representative assembly and be accountable to it;
2. To nominate the honoary chairman of the China Council for Promotion of Trade;
3. To elect the chairman and vice chairman of the Council;
4. To engage special advisers;
5. To examine and ratify work reports submitted by the chairman;
6. To examine and approve the annual financial plan and the final accounting of revenue and expenditure;
7. To make decisions on the establishment, modification, and abolishment of any functional bodies;
8. To guide and coordinate the branches of the Council in their operation and activities;
9. To examine and approve applications for membership; and
10. To convene regular or interim members' representative assembly.

Article 17. The chairman takes charge of day-to-day work of the China Council for Promotion of Trade and the calling of committee meetings. He exercises leadership over the operation of the Council and signs agreements and documents concerned on behalf of the Council. The vice chairman assists the chairman in his work. When the chairman is absent, a vice chairman shall function in an acting capacity. The term of office for both chairman and vice chairman is 5 years.

Chapter V

Financial Affairs

Article 18. The China Council for Promotion of Trade is financially independent and owns private properties. It is entitled to establish, whenever there is a need, enterprises which practice independent economic accounting and enjoy the status as corporate bodies.

Article 19. The China Council for Promotion of Trade raises its funds from the following sources:

1. Membership dues paid by members;
2. Revenue arising from provision of various services;
3. Donation from enterprises;
4. Subsidies from the government; and
5. Other income.

Article 20. The fiscal year of the China Council for Promotion of Trade begins on 1 January and ends on 31 December.

Chapter VI

Branches

Article 21. The branches of the China Council for Promotion of Trade set up in provinces, autonomous regions, municipalities, and cities separately listed in the state plan of the PRC are local non-government organizations dealing with foreign economic relations and trade formed of representative figures, enterprises, associations, and organizations of local economic and trade circles.

Article 22. The purpose of the branches of the China Council for Promotion of Trade is to boost foreign trade, make use of foreign capital, introduce advanced technology from foreign countries, promote economic and technological cooperation in various forms with foreign countries, expedite the development of ties of their own provinces, autonomous regions, municipalities, and cities separately listed in the state plan with foreign countries in the trade, economic, and technological fields, and enhance mutual understanding and friendship between local people and all peoples in the world and between the local and foreign economic and trade circles, in accordance with the policies, laws, and decrees of the PRC Government.

Article 23. A branch of the Council for Promotion of Trade is a corporate body which is entitled to formulate its own regulations in light of the regulations of the Council for Promotion of Trade, to operate on its own, and to sign agreements, protocols, and other documents at the non-governmental level with a view to promoting trade and economic and technological cooperation.

Article 24. A branch of the Council for Promotion of Trade implements its own financial plan. It is entitled to acquire properties and undertake obligations in its own name. It is entitled to establish in its own province, autonomous region, municipality, or city separately listed in the state plan, whenever there is a need, enterprises which practice independent economic accounting and enjoy the status as a corporate body.

Chapter VIII

Arbitration Bodies

Article 25. A foreign economic relations and trade arbitration committee shall be set up under the China Council for Promotion of Trade to arbitrate cases with regard to foreign economic relations and trade.

Article 26. A Maritime Arbitration Committee shall be set up under the China Council for Promotion of Trade to arbitrate maritime cases.

Chapter VIII

Supplementary Articles

Article 27. Whenever there is a need, other organizations shall be set up under the China Council for Promotion of Trade, with the approval by the Committee of the Council.

Article 28. The regulations shall come into force on 4 May after having been discussed and adopted by the members' representative assembly of the China Council for Promotion of Trade.

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CSO: 4006/1040

FOREIGN TRADE AND INVESTMENT

MINISTRY OFFICIAL VIEWS PLANS TO BOOST FOREIGN COUNTER TRADE

HK130717 Beijing CHINA DAILY in English 13 May 86 p 1

[Article by Zhu Ling]

[Text] A major effort is being made this year to boost China's foreign counter trade.

The move should intensify economic cooperation between China and Third World countries as well as diminishing the trade imbalance with some developed nations, according to a senior official of the Ministry of Foreign Economic Relations and Trade.

Assistant Minister Zhu Youlan said: "In view of the serious shortage of hard currency in many countries, we can use counter trade to expand our overseas business, exporting our products in exchange for goods that are needed by our industries and consumer markets."

Zhu said that China's counter trade basically fell into three categories--barter, counter-purchase and compensation trade.

She explained that barter trade involved the exchange of goods of equal value without any money changing hands. Counter-purchase refers to a form of cash transaction whereby one trade partner buys goods from another country for money on the understanding that that country will buy back a certain amount of goods.

Compensation trade, she said, means that an importer can pay for equipment with goods produced with that imported equipment.

The assistant minister told CHINA DAILY that the ministry had been encouraged to develop counter trade by the current wave of such business sweeping the rest of the world.

Nearly 90 countries were involved in counter trade in 1984 when its volume accounted for 30 percent of all world trade.

In 1985, Zhu said, China cultivated counter-trade links with some 20 countries and business volume was estimated at between \$700 and \$800 million. This estimate excludes compensation trade deals, which were included in foreign investment figures.

Last year, China signed compensation deals worth \$213 million, up 31.5 per cent from 1984.

Sources said that counter trade not only allowed China to increase its foreign trade without using up hard currency but also brought more Chinese goods to the world's attention.

Zhu said that China was rapidly developing counter trade. "There will surely be more progress in this direction this year," she said.

Last year, China's counter trade mainly involved raw materials and consumer goods. This year, there is a change of focus. Emphasis is being put on the import of complete sets of equipment and technology, which will enable China to produce more goods for the world market, she said.

In 1985, China carried out barter trade with a number of countries including Indonesia, Brazil, Zimbabwe, Tunisia, Singapore, Algeria and Sweden.

China mainly bartered rice, cotton, tea, jute, [words indistinct], bicycles and farm machinery for timber, steel, cement, plywood, pig iron, chemical fibres, motor vehicles and sugar.

"This year, we have conducted trial barter imports of complete plants [word indistinct] power the export of our commodities," Zhu said.

So far, the country's Huaneng International Power Development Corporation in Beijing has signed barter contracts with General Electric Corporation of the United States, Mitsubishi Consortium of Japan and Alsthon Corporation of France to import their coal-fired plants in return for Chinese products.

The assistant minister said that barter and counter-purchase trade deals would be approved by her ministry and the Bank of China would act as guarantor.

The Ministry of Foreign Economic Relations and Trade opened an office last May within its Import and Export Bureau to coordinate and manage such trade.

With the development of the country's economy and the increase of its industrial and rural production, Zhu said, counter trade was expected to expand into other areas, such as labour service, technology and leasing.

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CSO: 4020/328

FOREIGN TRADE AND INVESTMENT

GUANGDONG CONTINUES OPENING TO OUTSIDE WORLD

OW211036 Beijing XINHUA in English 1025 GMT 21 May 86

[Text] Guangzhou, May 21 (XINHUA)--Guangdong Province, whose export volume accounts for over 10 percent of China's total, has planned to export five billion U.S. dollars worth of goods by 1990.

This means a 73 percent increase over 1985 and an annual increase of 11.5 percent during the next five years, said Governor Ye Xuanping here today at the provincial people's congress.

By then, he said, finished products will account for 55 percent of Guangdong's exports, as compared to the present 40 percent.

Benefited from trade relations with 140 countries and regions in the world, the province exported 12.5 billion U.S. dollars worth of goods during the 1981-1985 period, a 67.1 percent increase over the previous five year.

Ye said that his province will also further develop its three special economic zones while building a number of enterprises with advanced technology in its two economic and technological zones in Guangzhou and Zhanjiang.

Guangdong's three special economic zones are Shenzhen, Zhuhai, and Shantou. China has altogether four such zones, with the fourth one--Xiamen City--in Fujian Province.

Other plans include "effectively introducing" foreign funds and technology, boosting tourism, and encouraging overseas Chinese and compatriots in Hong Kong and Macao to invest in their hometowns in the province.

The province introduced 2.4 billion U.S. dollars of foreign funds in the past five years, with an average annual increase of 47 percent.

The Sino-foreign joint ventures, cooperative enterprises and foreign-funded enterprises set up in the province now account for 60 percent of the total in China.

Guangdong received 1.85 million overseas tourists in 1985, as against 868,000 in 1980.

Governor Ye said the annual domestic gross product of the province will reach 92 billion yuan in 1990, a 56-percent increase over 1985.

He said the growth rate--9.3 percent annually--will be "a little higher" than the country's average but lower than the province's own growth rate during the 1981-1985 period.

Investment will be concentrated on energy, transport, telecommunications and raw material industry, he said.

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CSO: 4020/328

FOREIGN TRADE AND INVESTMENT

BRIEFS

JAPANESE LOCOMOTIVES PURCHASE--China signed a contract yesterday evening to use Japanese loans for the purchase of 80 locomotives from Japan. The China National Technical Import Corporation (CNTIC) will use Japanese loans totalling about \$100 million to buy the electric locomotives from Sumitomo Corporation. The contract was signed in the Great Hall of the People by Xu De'en, general manager of CNTIC and Tadashi Ito, general manager of Sumitomo Corporation. In the past, China bought electric locomotives mainly from France. Last year, 150 electric locomotives were imported from there, an official of the Ministry of Railways told CHINA DAILY. With the rapid expansion of railways, domestic production of electric locomotives has lagged behind the soaring demand. The imports of electric locomotives using low-interest and long-term foreign loans will ease the pressure on the already strained railways. [Article by Wang Xiangwei] [Text] [Beijing CHINA DAILY in English 22 Apr 86 p 2 HK] /6662

TRADE TALKS WITH MALAYSIA--Hong Kong, May 8 (XINHUA)--Chen Muhua, state councillor and president of the People's Bank of China, arrived in Kuala Lumpur today for a four-day official visit to Malaysia, according to the Malaysian News Agency BERNAMA. Chen paid the visit at the invitation of Governor of Bank Negara (Central Bank) Jaffar Hussein. Chen Muhua is scheduled to call on Prime Minister Mahathir Mohamad, Finance Minister Daim Zainuddin and Trade and Industry Ministry Razaleigh Hamzah. She is expected to discuss with the Malaysian officials matters relating to the promotion of trade, banking and insurance cooperation and other areas of economic ties between the two countries. [Text] [Beijing XINHUA in English 1147 GMT 8 May 86 OW] /6662

CSO: 4020/328

LABOR AND WAGES

ISSUES IN ENTERPRISE WAGE SYSTEM REFORM DISCUSSED

Shijiazhuang HEBEI RIBAO in Chinese 2 Jan 86 p 4

/Article by Liu Jianxin /0491 1696 2450/: "Issues in Enterprise Wage System Reform"/

/Text/ The enterprise wage system reform is now getting underway throughout the province and is being closely observed by the broad mass of workers. It is of the utmost importance to unite everyone's thinking under party policies and principles and to further arouse enthusiasm on all fronts in order to successfully reform the enterprise wage system.

Linkage and Separation: The heart of this round of reforms of the enterprise wage system is the linkage of an enterprise's wages and bonuses with its economic returns and with the individual achievements of its workers. But these wages must be separated from wage reforms and wage adjustments for government organs and institutions. This is simply referred to as the "double linkage" and the "single separation." These solutions are the culmination of our experiences and have been arrived at through diligent consideration; they are important reforms that stand in contradistinction to the old, corrupt wage system. In the long run, all workers are to be considered direct socialist labor with wage adjustments under a nationally regulated and unified wage system; thus everyone will "advance hand in hand" and "be considered equal." But at present we are still unprepared in China to implement directly socialized labor or to equate all forms of labor. If this were so, the climate for managing an enterprise would be obliterated as would the relationship between economic returns and worker achievements, which would ultimately lead to a formal equality of workers as opposed to the inequality in reality. This most certainly is the main reason that enterprises "eat from the common pot" of the nation and workers "eat from the common pot" of the enterprise. Thus in order to destroy the two "common pots" it is necessary to abandon the long-used system in which income is distributed in one fashion.

A worker's remuneration must be closely tied to his individual work contribution and the enterprise's overall economic results; these wages must fluctuate with the level of economic returns achieved by the enterprise. If an enterprise's economic returns are high and a worker's contribution significant, then his pay can be increased; in the opposite situation his pay must drop. This method focuses concern on the quality of an enterprise's management, on economic

returns, and on the contribution of individual workers; the principle of each according to this work is to be grounded in reality. Moreover, enterprises, as economic entities, must have the right to manage their own wages. After implementing the second step of the tax reforms and linking total wages with the fluctuation of an enterprise's economic returns, relations between the government and enterprises should become better, the financial state of enterprises should improve and most enterprises should be able to become self-reliant. Enterprises must fully utilize wages as an economic lever, improve production and management, and do a good job of reforming the wage system. Thus it is essential that the government divest itself of the old wage-distribution system and instead focus its energy on production efforts and raising economic benefits. Only if production and economic returns increase will there be further improvement in the daily life of workers. Wage reform is a big step in the right direction.

Institutional Wage System and Graded Wage System: In this round of wage reforms, a structured wage system will be instituted whereby the wages of employees for government organs and institutions will be mainly determined by their professional duties; a graded wage system will be instituted for enterprise employees in which wages are tied to professional duties and technical level. Since a dual wage system is being implemented, it is necessary to consider the special characteristics and nature of work at government organs and institutions and enterprises as well as their traditional and present wage structure. Agencies and institutions are mainly service-oriented and are managed by the administrative government; their income distribution is a redistribution of national income. Enterprises are mainly concerned with material production and circulation; wage distribution is a form of direct distribution. A dual wage system is geared toward better implementing the principle of to each according to his work. The main component of the institutional wage system is professionally-based wages, which are determined by the actual administrative or technical responsibilities of a worker. Moreover, changes in responsibilities must be matched by wage changes. Thus a national worker's wages will be closely related to his job duties, responsibilities, and achievements. This should help raise the technical level of the worker and his efficiency and abolish pay imbalances that result in wages incommensurate with the profession.

Enterprises must institute a graded wage system with pay rooted in standardized technical levels, so that wages and technical skills are suitably matched; wage hikes must be based on assessment of technical levels. A wage system based on professional level must also be established for enterprise cadres with income directly related to professional duties. Merging a worker's pay with his technical level and amount of responsibility is a much better system. Moreover, if an enterprise can itself set concrete wage standards based on that enterprise's actual circumstances and if its economic returns are satisfactory, its funds abundant, and if it operates effectively in the long run, then it will be able to raise wages. However, if economic returns are poor and funds in short supply, resulting in a lowering of wage levels, this would be a further reflection of the principle "to each according to his work." Thus the broad mass of enterprise workers must accurately comprehend the Central Committee's policies and principles for wage reform and deeply appreciate the

meaning behind the dual wage system. There cannot be indiscriminate imitation of the government organ and institution wage system, nor can there be competition with them.

The Purpose of Wage Reform and Increasing Wage Levels: At present, some people are raising a hullabaloo over wage reforms. They believe that wage reforms merely means wage hikes, a significant reform meaning a significant increase and a minor reform implying a minor wage increase. All they can see is more money. This kind of awareness is onesided. In truth, wage reform is being instituted with wage increases as the foundation, but the purpose of wage reform is to relinquish the former wage system which was detrimental to the development of production forces and establish a wage structure based on the principle of to each according to his work that can mobilize the enthusiasm of enterprises and workers. A new wage system that promotes the growth of production is not reform merely for the sake of individual wage increases. Thus, we must focus on rational wage relationships and establish a new wage system. We should realize that though China's economy has grown significantly in recent years, the forces of production are still at a relatively low level and the economy is still not very prosperous. With national finances and enterprises capabilities still limited, it is quite impossible for each worker to receive a large wage hike in one fell swoop. Moreover the growth rate of wages must remain below the growth rate in production and national income; the average growth in wages must also stay below the labor productivity growth rate. Overall labor costs in an enterprise's production scheme must continue declining. If reality is ignored and wages are blindly increased, consumer funds will grow wildly and that will surely result in serious aftereffects that will most certainly hinder national development and the steady improvement in the daily life of workers. It should also be realized that history has handed down to us many wage problems which are quite complicated. Many of these problems demand solutions from the point of view of an individual or a unit, but in considering the overall picture, these solutions would spark a chain reaction that would be difficult to deal with. Thus we must first take into account the interests of the whole.

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CSO: 4006/666

LABOR AND WAGES

LIAONING WORKERS LEARN ADVANCED FOREIGN TECHNOLOGY

OW201016 Beijing XINHUA in English 0950 GMT 20 May 86

[Text] Shenyang, May 20 (XINHUA)--Learning advanced foreign management and technology has become popular among workers, technicians and officials in Liaoning Province, the biggest heavy industrial center in China.

This change from an attitude of rejection of things from abroad is due to the policy opening to the rest of the world, local officials said.

Almost all major industrial enterprises in the province have imported technology and equipment from abroad over the past few years.

"We are backward economically and technically so we should learn the strong points of all nations to make up for our deficiencies," said Wang Dingsen, a 33-year-old worker in the Liaoyang Petroleum and Chemical Fibre Company.

When Wang entered the company eight years ago, the company imported technology and equipment from France, Italy and the United States.

"Operating this imported machinery," he said to himself, "it is not enough to depend on my junior middle schooling." He was determined to learn operation skills.

He went to the workers' training center of the company every evening. When a machine was installed, he always took notes on the foreign technicians' instructions on the principles, properties and operation skills.

With the help of his notes, Wang has not only become a skilled worker but also improved the operation process. As a result, the machine saves 100,000 kwh and 3,000 cubic meters of water a month against the designed indicators in the preparation of nitrogen.

Like Wang Dingsen, more than one-third of the 7.9 million workers in Liaoning are attending technical schools or training classes.

Most of the over 100,000 scientists and engineers in the province have finished advanced training courses, attended new technology lectures or followed TV courses as well as classes in foreign languages.

Liu Zongmeng, 48, an engineer of the Benxi Iron and Steel Company, has reviewed the Russian he studied earlier and learned Japanese and English in recent years.

As a result of reading the latest information about foreign furnaces, he understood that China's furnaces yielded 20 percent less than advanced models because of backward testing and measuring facilities.

He developed an automatic testing and measuring system for furnaces which received state appraisal last year. Use of the system in Benxi and Wuhan iron and steel companies has brought 1.7 million yuan in savings per furnace a year thanks to lower energy consumption and higher iron output.

Du Jingxin, director of the Dalian locomotive and rolling stock plant, said: "We are confident we can master the world's up-to-date technology and produce advanced locomotives."

He and engineers of the plant have visited Britain, Federal Germany, Switzerland and the United States in recent years.

Thanks to the imported technology from a British company, his plant has produced three new models of diesel locomotives. Compared with the old model, the latest type increases drawing power by nine percent, extends utilization life by 40 percent and reduces oil consumption by 40 percent.

The plant is now developing another model locomotive with cooperation from British experts.

Local officials said that almost all the enterprises' libraries have subscribed to foreign journals and collected foreign technical books. International standards have been adopted by a growing number of enterprises.

More than 50 countries have held exhibitions of technology and new products in Liaoning over the past few years.

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CSO: 4020/329

12 June 1986

LABOR AND WAGES

SICHUAN'S LABOR SERVICES IN 1985 REVIEWED

Chengdu SICHUAN RIBAO in Chinese 12 Mar 86 p 2

[Article by Xie Jichong [6200 4949 0394]: Sichuan Placed 270,000 Workers in 1985"]

[Text] In 1985, 270,000 urban and rural workers were placed. The output value of the labor services companies' province-wide network exceeded 1.2 billion yuan and realized a profit of more than 50 million yuan.

In accordance with the relevant State Council and provincial government regulations, all levels of personnel departments throughout the province enhanced their thinking about and organization of labor service companies. In a spirit of correcting the incorrect, every level and type of labor service company was purified and rectified. Policy boundaries were clearly demarcated, the ideology guiding business was set right, promoting the healthy and stable development of labor service companies. In the past year more than 1,000 labor service companies sprung up, an increase of 29.6 percent over 1984, and more than 3,200 collective enterprises were set up, an increase of one-third over 1984. The development of production opened the way to placement of those awaiting employment. Last year, the number of workers placed in collectives by labor service companies increased by almost 60,000 people over the previous year. In the same year 21.5 percent of those awaiting employment were placed. Besides placing those who transferred the previous year, 20 percent of those who just reached working age in that year were placed. More than 60 percent of those placed went to the collective and individual economic sectors. More than 40 percent were placed after undergoing various types of professional and technical training.

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CSO: 4006/958

TRANSPORTATION

BRIEFS

HAINAN-SINGAPORE AIR ROUTE--Hong Kong, April 23 (XINHUA)--An air service between Haikou, the capital city of Hainan Island in Guangdong Province, and Singapore will be officially inaugurated Saturday, it was announced here today. Under a contract signed with the Civil Aviation Administration of China (CAAC), a Hong Kong company will operate at least one return flight a month. The four-hour flight is expected to greatly facilitate the passage of travelers between the two places, which are directly linked only by sea at present; air passengers from Singapore at the moment have to change planes at Guangzhou, capital of Guangdong. [Text [Beijing XINHUA in English 1535 GMT 23 Apr 86 OW] /6662

HUAIHE HARNESSING--Beijing, 8 May (XINHUA)--China will invest 1.2 billion yuan on harnessing the Huaihe in the eastern part of China during 1986-1990 period, 6 times more than in the past 5 years. The river valley is populated by 130 million people, and produces 15 million tons of commodity grain a year--a quarter of the country's total. [Beijing XINHUA in English 1449 GMT 9 May 86 OW] /6662

INTERNATIONAL CONTAINER ROUTES--Beijing, 12 May (XINHUA)--The China Ocean Shipping Company has opened 17 international container shipping lines, reaching 33 ports in 19 countries and regions in Asia, Africa, Western Europe and North America. The company opened its first international line--to Australia--in 1978. Chinese ocean-going ships transported 320,000 standard containers or a total of 3 million tons of cargo in 1985, according to company officials today. [Text] [Beijing XINHUA in English 1408 GMT 12 May 86 OW] /6662

TONGJIANG OPENED TO FOREIGN SHIPS--Harbin, May 20 (XINHUA)--After receiving State Council approval, Tongjiang Port in northeast China's Heilongjiang Province today was officially opened to foreign ships, according to provincial officials here. The port is located near the China-USSR border at the confluence of the Songhua and the Heilong rivers. Heilongjiang is one of China's major producers of grain and timber. The province is the largest producer of soybean, beet, and flax in China and is also a base for industry, energy, and chemicals. In 1985, the province exported 410 million U.S. dollars worth of commodities and signed 43 contracts totalling 82 million U.S. dollars with foreign businesses. Its total volume of border trade with the Soviet Union last year was more than 30 million Swiss francs. [Text] [Beijing XINHUA in English 1115 GMT 20 May 86 OW] /6662

CSO: 4020/329

TAIWAN

FINANCE MINISTRY SAYS TRADE SURPLUS CONTINUES TO INCREASE

OW200459 Taipei CNA in English 0331 GMT 20 May 86

[Text] Taipei, May 19 (CNA)--The Republic of China's trade surplus in 1986 had accumulated to U.S. dlrs 4.6 billion as of May 10 due to the booming exports of the past few months, an official with the Finance Ministry said Monday.

The official, who preferred anonymity, said according to customs statistics, the nation's imports from Jan 1 to May 10 increased by 4.22 percent from the same period of last year to U.S. dlrs 7.8 million while exports increased by 15.52 percent to U.S. dlrs 12.4 billion.

The exports in April registered the highest monthly growth in the past few years due to the fluctuations of foreign exchange rates and the fall of international oil prices, the official said. Among various export categories, metal products, transportation facilities, plastics products, textiles, wooden products and machinery even set the highest monthly record in terms of their value in April, he said.

Thanks to the booming exports, the nation's exports in April also showed an increase of 3.4 percent as compared with the same month of last year, he added.

Meantime, Economics Minister Lee Ta-hai said that the government is studying the possibility of allowing the people in this nation to buy stocks of renowned foreign companies through several monetary organizations designated by the government to alleviate the pressure incurred by the nation's excessive foreign exchange reserves which has hit U.S. dlrs 2.6 billion in May.

Lee, worried that the excessive foreign exchange reserves will constitute a great pressure to induce inflation in this nation, has ordered concerned agencies to study ways of encouraging the private sector and state-run enterprises to increase their investments in other countries.

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CSO: 4020/330

TAIWAN

COMMENTARY VIEWS RISING U.S. TRADE PROTECTIONISM

OW051125 Taipei Domestic Service in Mandarin 2300 GMT 2 May 86

[Station commentary: "Pay Attention to Protectionist Tide in U.S. Congress"]

[Text] In the past year or so, U.S. industrialists and businessmen have, through Congress, been pressuring the executive branch to formulate protectionist policies, thus worrying many of the countries trading with the United States. The Republic of China is one of them. Year after year our country has increased its exports to the United States, and so has our favorable balance of trade. As a result, our country has become one of the major targets the U.S. protectionist tide is pounding at.

Nearly 300 protectionist bills are under discussion in the U.S. Congress. Using its preferential tariff toward us as a bargaining chip, the United States has been asking our country to increasingly open up its market and reduce its tariffs, and has even announced that it will investigate the ratio between the foreign and domestic sales of automobiles made in our country [words indistinct].

A few days ago, the U.S. House of Representatives Appropriations Committee adopted a revised comprehensive trade bill. All those who voted for the bill were Democrats. Simply put, the revised bill requires the U.S. International Trade Commission to negotiate with countries having a favorable balance of trade with the United States 4 months after unfair conduct is discovered on the part of such countries. The bill also requires that in the 4 years beginning 1987, the favorable balance of these countries of as 1985 will be reduced by 10 percent a year. If no agreement can be reached through negotiations, the U.S. President will have to (?suspend the trade agreements with those countries).

This would be an extreme kind of action by a government. Considering the criteria set in the bill and actual conditions in 1985, they would be applicable only to Japan, the Republic of China, and West Germany.

U.S. President Reagan is currently attending a meeting with ASEAN foreign ministers in Bali, Indonesia. His initial reaction to this bill is that he would spare no efforts to resist protectionist measures restricting world

trade. He stated that it would indeed be a disaster if international trade was reduced by a big margin. U.S. public opinion predicts that even if the House of Representatives adopted the bill, Reagan would certainly veto it.

We have the following views regarding the rising trend of protectionism in the United States: First, our country has a favorable balance of trade with the United States after opening up our market to imports, reducing tariffs, and making many other similar efforts. We have done and are doing what we should do in this regard. U.S. cigarettes and alcoholic beverage will (?being to be exported) to Taiwan in August this year, and the fourth round of Sino-U.S. tariff talks is scheduled for July. These are cases in point. Meanwhile, most of our exports to the United States are articles for daily use; they are low-priced but of good quality. They are very conducive to reducing the American consumers' burdens. It is necessary to give wide publicity to such facts so as to make them known to large numbers of American people. At the same time, we should make them understand that we are opposed to any (?protectionist measures) in trade.

Second, it is necessary to make positive representations with the United States in this regard. It should be pointed out that the revised bill runs counter to the spirit of free and fair trade embodied in the U.S. Import Act of 1986 [words indistinct]. It is hoped that the U.S. Congress will not adopt the revised bill and that the U.S. Government will not implement it, because the bill will harm other countries and will not benefit the United States.

Third, by means of our trade relations with West Germany and Japan, we should express the hope to them that at the forthcoming summit conference in Tokyo they would raise the question of opposition to protectionism for discussion in order to expand free international trade and make U.S. trade policy stay on the right track.

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CSO: 4020/330

TAIWAN

APRIL EXPORTS REACH SINGLE-MONTH RECORD

OW080349 Taipei CNA in English 0320 GMT 8 May 86

[Text] Taipei, May 7 (CNA)--The exports of the Republic of China in April reached a new single-month high of U.S. \$3.15 billion worth. The figure represents an increase of 17.3 percent as compared with the same month of last year.

According to statistics released by the Directorate General of Budget, Accounting and Statistics, the two-way trade of the nation in the first 4 months totaled U.S. \$18.79 billion worth, up 13.2 percent over the like period of 1985.

While exports of the January-April period amounted to U.S. \$11.52 billion, up 18 percent, the imports in the period summed up to U.S. \$7.27 billion, up 6.4 percent. The trade surplus, therefore, accumulated to U.S. \$4.25 billion, the statistics show.

In the single month of April, the nation's exports amounted to U.S. \$3.15 billion while the imports totaled U.S. \$1.94 billion, up 17.3 and 3.4 percent respectively over the same month of last year.

The United States continued to be the nation's largest market in the first 4 months, having absorbed 47.8 percent of the ROC's total exports with U.S. \$5.5 billion worth, followed by Japan, U.S. \$1.3 billion or 11.3 percent, and Hong Kong, U.S. \$790 million or 6.9 percent.

As to imports, Japan kept its role as the nation's main supplier with U.S. \$2.21 billion worth of transactions with the ROC, or 30.4 percent of the ROC's total imports in the period. The United States followed with U.S. \$1.64 billion, or 22.6 percent; Saudi Arabia stood third with U.S. \$390 billion, or 5.4 percent.

Industrial products occupied 93.9 percent of the nation's total exports with U.S. \$10.82 billion worth. Processed farming products totaled U.S. \$530 million, or 4.7 percent and crude farming products, U.S. \$160 million or 1.4 percent.

Capital goods totaling U.S. \$1.8 billion worth, taking a 24.7 percent share in the nation's imports. Raw materials for agricultural and industrial use occupied 66.4 percent, or U.S. \$4.82 billion consumer goods occupied 6.9 percent, or U.S. \$640 million.

Meantime, the statistics show that the nation's efforts in diversifying its overseas markets have achieved notable results. The exports in the first 4 months to Europe totaled U.S. \$1.29 billion, a sharp increase of 31 percent over the same period last year. The exports to Central America reached U.S. \$1.8 billion worth and to South America U.S. \$620 million, up 45 percent and 41.1 percent respectively.

West Germany is the largest market of the ROC in Europe. The ROC exported U.S. \$349 million worth of goods to that nation in the January-April period, up 34 percent as compared with the same period in 1985. England followed with U.S. \$230 million, up 19.3 percent. The Netherlands was the ROC's third trade partner in Europe in terms of exports with U.S. \$180 million worth, a 19.5 percent rise over a year before.

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CSO: 4020/326

TAIWAN

ECONOMIC TALKS WITH SAUDI ARABIA CONCLUDED

OW051151 Taipei CHINA POST in English 3 May 86 p 12

[Text] The Republic of China [ROC] will expand agricultural, industrial, medical and other assistance to Saudi Arabia as part of closer cooperative relations following the conclusion of the 2-day 9th session of the Sino-Saudi Arabia Permanent Joint Committee on Economic and Technical Cooperation in Taipei.

At the closing meeting yesterday, Minister of Economic Affairs Lee Ta-hai and his Saudi counterpart Minister Muhammad Aba al-Khayl, signed the minutes of the meeting. Both in their speeches, expressed satisfaction with the success of the meeting and the agreements reached.

Yesterday's meeting concerned reports on financial and technical cooperation, science and technology, trade, industry and electricity. The conclusions will be submitted to the authorities for implementation.

The main points of the minutes are:

Agriculture: The ROC will assist the Saudis to develop the southeastern mountains of the kingdom and dispatch specialists to develop orange groves and marine and fishery programs.

Printing Technology: Saudi Arabia will select 16 technicians for training here.

Communications: The ROC will add to computer and communications personnel already in Saudi Arabia but asked that their salaries be raised. The Saudi hope that the ROC will help them build surveillance and control systems on freeways.

Medical Programs: Saudi Arabia asked for Chinese specialists in bio-medical science and medical information managers as well as other related personnel. The two delegations signed a memorandum of understanding on medical cooperation.

Science and Technology: The two nations will jointly develop software for Arabic language computers and the development of solar energy and expand marine product research along with the existing program on freshwater fish.

Financial Cooperation: Saudi Arabia agreed to revise, if necessary, the loan agreement on the Taipei underground project.

Industry: Saudi Arabia agreed to provide needed liquified ammonia and petrochemicals.

Trade: The two nations will increase exchange visits and exhibitions, step up trade cooperation and measures to prevent counterfeiting and commercial disputes.

The next meeting of the Joint Committee will be held in Saudi Arabia but the date will be decided later.

The Saudi delegates left Taipei yesterday.

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CSO: 4020/326

TAIWAN

GOVERNMENT TAKES STEPS TO REDUCE FOREIGN RESERVES

OW091201 Taipei CNA in English 1006 GMT 9 May 86

[Text] Taipei, May 9 (CNA)--The Republic of China's foreign exchange reserves have been soaring at a monthly rate of U.S. \$1 billion since the beginning of this year. As a result, assets held by the Central Bank of China snowballed from U.S. \$23 billion last December to U.S. \$26 billion by the end of March.

According to the International Monetary Fund, the ideal amount of a nation's foreign exchange reserves is the equivalent of 3 months of its imports. By this standard, the ROC has far more reserves of foreign exchange than it is able to digest. The ideal amount would be U.S. \$6 billion.

With the nation's export trade on a strong upswing, the for-ex reserves are expected to continue rising at a brisk pace for the remainder of the year. Monetary officials figures that by the end of this year, the ROC may overtake Japan in the amount of its foreign reserve holdings. Japan currently has U.S. \$30 billion. Before the year runs out, the ROC may have as much as U.S. \$35 billion.

A big foreign exchange surplus is not necessarily a boon, says Miss Ching Hsiu-lien, a specialist with the Council for Economic Planning and Development. For one thing, she says, it may push commodity prices up because of the bloated money supply.

Domestic money supply has been on the rise steadily in the past 3 months, an increase of 14 percent in January, 17.3 percent in February, and 21.2 percent in March.

Chang said in an interview that an excessive money supply is one of the causes that prompt prices to go up, but not the only one. There are still other factors at work. It is usually the interaction of these factors that trigger an inflationary spiral. The effect of an excessive money supply will be felt after a 6-month to 1-year lag.

Chang attributes the large accumulation of for-ex reserves partly to the long-time government control over foreign exchange operations. Another major reason is the nation's ever-widening trade surplus. The nation's exports have grown faster than imports in the past years. In 1985, exports rose by 1.7 percent to

U.S. \$31 billion while imports dropped by 9.1 percent to U.S. \$20 billion. The resulting trade surplus was U.S. \$11 billion, representing a 29.5 percent increase over the 1984 level. In the first quarter of this year, exports zoomed by a hefty 18.3 percent to U.S. \$8.38 billion whereas imports picked up 7.5 percent to U.S. \$5.33 billion, leaving a favorable balance of U.S. \$3.05 billion.

Chang points out that the best way to whittle down the overabundant foreign exchange assets is to encourage more imports and more investment abroad.

Recognizing the potential adverse effect of the huge foreign exchange accumulation, the government has taken vigorous steps to shed off the excessive fat and ease the pressure on the money supply and movement toward inflation. First of all, the government has recently opened the doors to large-scale investment in foreign capital markets. Local financial institutions, corporations and individuals are now allowed to buy foreign government securities or foreign-bank time deposits through the Central Trust of China, Bank of Taiwan and International Commercial Bank of China. To further facilitate such outward investments, the government plans to designate several other banks to join in the operation in the near future.

Moreover, the government has revised the Foreign Exchange Control Act to allow a freer operation of foreign exchange assets. In the past, the base criterion used for determining each company's for-ex settlements was its export/import permits. But under the new rules, such settlements will be determined according to each firm's reported trade records. The revision was already approved by the legislative yuan last week.

The government also has raised the foreign exchange allowance for outgoing travellers several times in the past over year. Outbound tourists now can take more money along. Those who will leave as tourists may apply for a daily foreign exchange allowance in the amount of U.S. \$200 for upward to 3 months, depending on the actual duration of travel. The daily for-ex allowance for those who leave for a foreign country on business, for employment, study, or for visiting relatives is raised to U.S. \$300, in addition to a "pocket money" allowance in the amount of U.S. \$3,000.

As for the encouragement of imports, the government has taken a number of strong steps in the past few years. Many items are now duty free and the highest tariff rates for those dutiable articles have been cut to 67.5 percent. Moreover, the government cut bank interest rates four times last year to encourage private firms to borrow more from the banks to finance their expansion or renovation plans. As a result, bank interest rates in the country dropped to a record low since the end of World War II.

In a recent report to the Finance Committee under the Legislative Yuan, Governor Chang Chi-cheng of the Central Bank of China said his bank is willing to work out a comprehensive plan with other government agencies on how to make good use of the nation's rich for-ex reserves. Chang pledged that CBC is making the funds available to the business and industrial sectors to help pay off imports and for foreign exchange loans. He revealed that Taiwan Power Co

is preparing to repay its loans to foreign banking institutions through lending from the Central Bank to save expenses in interests.

Chang continued that the Central Bank will use as much of the for-ex reserves as possible on construction projects that will benefit the public. "New investment projects, as long as they have been approved by the government, will have full financial support from the Central Bank," he said.

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CSO: 4020/326

TAIWAN

BANK GOVERNOR COMMENTS ON FOREIGN INVESTMENT PLANS

OW140343 Taipei CNA in English 0319 GMT 14 May 86

[Text] Taipei, May 14 (CNA)--The government is scheduled to allow high-tech firms invested in by foreigners and overseas Chinese to deduct several remittances directly from their for-ex accounts this coming August, according to Chang Chi-cheng, governor of the Central Bank of China (CBC).

The reform is aimed at stimulating investments by foreign nationals and overseas Chinese, especially in the high-tech industry because it is considered vital to the nation's future economic development.

Remittances which will be deductible from for-ex accounts are listed as follows:

- Approved expenditures on imported commodities;
- expenditures for studying abroad, travelling, visiting, or mediation abroad;
- remittances of paid-in capital for investment here and the capital earnings entailed;
- approved foreign loans and investments;
- approved capital and interest remittances for foreign loans;
- and royalties from technical cooperation projects.

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CSO: 4020/326

TAIWAN

COMMENTARY WELCOMES DIRECT FOREIGN INVESTMENT

OW210611 Taipei International Service in English 0200 GMT 21 May 86

[Station commentary]

[Text] Two recent developments with respect to foreign direct investment in Free China are worth noting. First, the Legislative Yuan has revised a statute relaxing restrictions on foreign investments in Taiwan of the Republic of China [ROC]. The fields in which foreigners are allowed to invest or commence business operations have been broadened to include more service industries and provision has been made for the entire amount of business profits made by the foreign enterprises, after one year of operations, to be remitted back to their home countries.

Second, it is reported that the Ministry of Economic Affairs is considering changing the ground rules with respect to the areas of investment open to foreigners. Up to now, foreigners have been allowed to invest only in certain specified industries; they cannot apply for permission to invest in industries which are not on the list. Now, the Ministry of Economic Affairs is considering reversing the rule so that the fields in which foreigners are not allowed to make investments will be specified and listed, implying that more industries will be opened up to foreign investment.

It is still too early to tell what all this means in practical terms. It is fair to say, though, that the Government of the Republic of China does want to liberalize the restrictions now imposed on foreign direct investment.

According to the press, this move of the ROC Government has been met with support from the public. In their view, foreign direct investments have been a positive force in Taiwan's economic success and will continue to have an important contribution to make in upgrading Free China's economy in the future.

To be sure, foreign direct investment has never constituted a large proportion of total domestic private capital formation in Taiwan, averaging only a little over 5 percent in the 1960's and less than 3 percent in the 1970's. But these averages hide the fact that foreign-owned enterprises have played

a dominant or significant role in terms of their share of total employment or production in certain industries such as electronics and electrical appliances, chemicals, and garments and footwear.

What is more important is that foreign enterprises by and large have applied foreign technology in their production, and the Chinese-owned enterprises have learned such foreign technology from them. In other words, foreign enterprises have been effective agents for the transfer of technology. In the process of economic upgrading, there is nothing more important than the continuous introduction and application of new technology.

Furthermore, foreign businessmen might have a perspective on behavior that is different from that of the Chinese businessmen, and thus foreign investment may serve as a stabilizing or diversifying force in Taiwan's economy. In the last couple of years, domestic investment was low, but the total amount of foreign direct investment approved by the Ministry of Economic Affairs increased. Their optimism on Taiwan's economy must have had a positive effect on Taiwan's economy. From all we can tell, there will be more and more foreign firms, especially from Japan and Europe, which will explore the possibilities of establishing branches in Taiwan, and they will be surely met with warm welcome.

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CSO: 4020/330

TAIWAN

TOYOTA AFFILIATE TO PRODUCE CAR ELECTRIC PARTS

OW221041 Taipei CNA in English 1022 GMT 22 May 86

[Text] Tokyo, May 22 (CNA)--Nihon Denso K.D., a member of Japan's giant Toyota conglomerate, will set up a joint venture company with two Chinese manufacturers for production of car electric accessories in the Republic of China, an automobile industry source here said Thursday.

The Chinese companies are Taichuan Electric Engineering and Notal Motors.

Negotiations have been under way between Nihon Denso and the Chinese companies since early this year, the source said. A top Nihon Denso executive will visit Taiwan before the end of this month to conclude the negotiations on the joint venture, the source said.

When contacted by CNA, a Nihon Denso spokesman said an agreement on the joint venture will be reached after the negotiations are concluded.

In the final negotiations, Nihon Denso and its two Chinese partners will decide on the electric accessories to be produced, scope of production, plant site, capitalization, equity shares and management and administration.

If everything goes well, Nihon Denso and its Chinese partners are expected to file an application with the Ministry of Economic Affairs in July for the establishment of the joint venture company, the source said. Production will start in 1988.

What has prompted Nihon Denso to start the joint venture is Toyota's equity participation in Kuo Jui. Nihon Denso provides Kuo Jui with car electric accessories.

Another factor leading to the Nihon Denso decision is the strong yen, which makes production in Japan too costly.

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CSO: 4020/330

TAIWAN

BRIEFS

MARKETS DIVERSIFIED, EXPORTS BOOSTED--Taipei, May 21 (CNA)--The Republic of China's [ROC's] efforts to diversify its export markets has resulted in sharp increases of exports to Europe, Japan, Central America, and South America, Vincent Siew, director general of the Board of Foreign Trade [BOFT], said Wednesday. Speaking before the Economic Committee of the Legislative Yuan, Siew said that in the first four months of this year the ROC's export trade to Europe and Japan increased 31 percent and 18.5 percent respectively. The respective increases of exports to Central America and South America during the same period reached 45 percent and 41.1 percent. The ROC's exports to the Middle East rose 10.5 percent during the four-month period in spite of the fact that the economies in most countries in that region were suffering from declining oil prices, Siew said. He said the BOFT is trying to help domestic traders diversify their export markets due to the growing trade protectionism sentiment in the United States. The BOFT has taken steps to encourage domestic manufacturers and exporters to participate in trade fairs in Europe and help European importers to set up offices in Taipei, Siew said. An ROC trade mission is scheduled to visit Europe next month, he added. [Text] [Taipei CNA in English 0249 GMT 22 May 86 OW] /6662

INCREASED TRADE WITH EUROPE--Taipei, May 21 (CNA)--Sino-European bilateral trade amounted to U.S. dollar 2.22 billion from January to April this year, representing a growth of 24.5 percent over the same period a year ago. This marks the highest growth rate in six years, reported V. C. Siew, director general of the Board of Foreign Trade (BOFT). Siew attributed the growth to the appreciation of European currencies against the U.S. dollar, to which the Taiwan dollar is pegged. Thus, locally-made items became more competitive in the European market. He added that, with the exception of Greece, where there was no increased demand for Taiwan-made products, exports to the 17 nations in free Europe registered a marked increase. He pointed out that the appreciating yen also benefited Taiwan exports to Japan, and encouraged local manufacturers to take advantage of this opportunity to enter Japanese markets. [Text] [Taipei CNA in English 0326 GMT 21 May 86 OW] /6662

JAPANESE INVESTMENTS--Taipei, May 13 (CNA)--Japanese investments in the ROC [Republic of China] in the first quarter of this year totaled nt dollars 1.9 billion (U.S. \$48.7 million), accounting for more than 50 percent of total foreign investments, officials of the Ministry of Economic Affairs reported Monday. The Japanese investments represented an increase of 241 percent compared with the amount registered in the same period last year. The officials described the increase in Japanese capital inflow as "very impressive." According to the ministry officials, the sharp evaluation of the Japanese yen has been unfavorable to Japanese exports, and, therefore, many Japanese investors have turned to the Republic of China for investment or venture projects. The nation's competitive foreign exchange rates, low labor costs, and skilled work force also contributed to the attraction of Japanese investments, the official explained. He said that besides the Toyota Motor Corp and Mitsubishi Industries, many Japanese firms in the ROC have applied for reinvestment projects, mostly in the chemical and electronic industries. [Text] [Taipei CNA in English 0954 GMT 13 May 86 OW] /8918

CSO: 4020/326

12 June 1986

HONG KONG

ECONOMY AFFECTED BY PRC FOREIGN EXCHANGE CONTROLS

HK241013 Hong Kong HONG KONG STANDARD in English 24 Apr 86 p 8

[Text] China's tightening foreign exchange controls and its cautious import-export plans this year are beginning to affect Hong Kong's economic performance, as shown in the provisional trade figures for March released by the government yesterday.

The Census and Statistics Department's comparative figures for Hong Kong's re-exports in the period from January to March this year showed a \$1.47 billion or 5.8 percent decrease from re-exports in the same period of 1985.

Re-exports amounted to \$24 billion this year against \$25.47 billion last year in the same three-month period.

A government secretariat spokesman admitted that the decline in Hong Kong's re-exports probably reflected the effect of China's tightening control over its foreign exchange spending.

China's foreign exchange reserves stood at US\$11.9 billion at the end of 1985, down from the 1985 third quarter reserve of \$12.6 billion, and from \$16.3 billion in September 1984, according to earlier XINHUA Agency reports.

Stringent measures taken by the Chinese Government have halted the falling trend of its foreign exchange reserves but Hong Kong, which made huge gains during China's import spending spree in 1984, could not escape from the adverse consequences.

Hong Kong's domestic exports, valued at \$29,146 million in the first three months of 1986, on the other hand, showed a slight increase of \$170 million (0.06 percent) over the same period last year.

The comparative figures for total exports in the same period were about \$53.15 billion in 1986 and \$54.45 billion in 1985, representing a drop of 2.4 percent this year.

While the visible trade balance showed a \$449 million surplus in Hong Kong's favor in Jan-Mar 1985, there was a deficit of \$2,521 million this

year, because imports showed a growth of 3.1 percent this year over last year (\$55.67 billion and \$54 billion respectively).

For March 1986 alone, domestic exports figure was \$10,269 million which was \$1,839 million (22 percent) higher than in the same month last year.

March re-exports for 1986 at \$8,566 million were \$512 million (6 percent) lower than 1985.

Taking domestic exports and re-exports together, the value of total March exports at \$18,835 million was 8 percent or \$1,327 million [higher] than those of March 1985.

The value of March imports also fell marginally, by 0.2 percent or \$32 million to \$19,883 million. This narrowed Hong Kong's visible trade gap for March (that is, the part of the value of imports not covered by the value of total exports) down to 5.3 percent from 12.1 percent of March last year.

Putting the month's trade figures into context, the secretariat spokesman pointed out that the value of total exports for the 12 months ended March 1986 was \$233,854 million, made up of domestic exports of \$130,052 million and re-exports of \$103,802 million.

Compared with the same period in 1985, he said the 1985 values of total exports and re-exports grew by 2 percent and 14 percent respectively, while the value of domestic exports fell by 6 percent.

Comparative figures of the first quarter performance of Hong Kong's re-exports in the two years showed a definite downward trend, not likely to be reversed unless China relaxes its foreign exchange controls again. However, Hong Kong's domestic exports fared a little better.

The secretariat spokesman said that the year-on-year increase in the value of domestic exports in the first quarter of 1986 meant a reversal of the declining trend seen in the last three quarters of 1985.

Sources in the manufacturing sector, however, would not predict any real upward trend for Hong Kong's domestic exports in view of the uncertainty over the impact of protectionism on Hong Kong's major export markets in the months ahead, amid keen competition in the Asia-Pacific region.

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CSO: 4020/311

HONG KONG

POLITICAL SIGNIFICANCE OF GATT MOVE 'ENORMOUS'

HK250557 Hong Kong SOUTH CHINA POST in English 25 Apr 86 p 1

[Text] Hong Kong took another step from under Britain's umbrella yesterday when it became a contracting party to the General Agreement on Tariffs and Trade and the Multi-Fibre Arrangement [MFA].

Although the political significance of the move is enormous, practically, it means little to the way Hong Kong handles its commercial affairs.

Until yesterday, Hong Kong was part of GATT through its colonial ties to Britain.

Hong Kong's graduation had been expected for more than a month and follows declarations made by Britain and China to GATT Director-General Mr Arthur Dunkel in Geneva.

Other GATT members had also been quietly canvassed by Britain to make sure there would be no objections.

Under the joint declaration on Hong Kong's future, both Britain and China had agreed to work towards ensuring the Special Administrative Region's [SAR] participation in GATT and the Multi-Fibre Arrangement.

The British declaration said: "Hong Kong possesses full autonomy in the conduct of its external commercial relations and of the other matters provided for in the agreement."

The Chinese declaration made it clear that after July 1, 1997, the Hong Kong SAR will commune to be a contracting party to the agreement.

China itself is not a GATT member, having withdrawn after the communists gained power in Beijing.

It has, however, said it wants to rejoin.

Developing a framework for Hong Kong's independence from Britain under GATT was one of the major accomplishments of the third meeting of the Joint Liaison Group.

After July 1, 1977, the Chinese declaration said the Hong Kong SAR "will decide its economic trade policies on its own and may on its own, using the name 'Hong Kong, China,' maintain and develop relations and conclude and implement agreements with states, regions and relevant international organisations in economic, trade and other fields."

Following the announcement, the secretary for Trade and Industry, Mr Eric Ho, said Hong Kong has for years "been playing an autonomous role in GATT and the MFA" from within the British delegation.

"There will be little variation of substance in future," Mr Ho said.

It also means Hong Kong will now have to start paying its own way.

Hong Kong's share of the annual GATT budget, which had been borne by Britain, is likely to hit 900,000 Swiss francs (about HK\$3.81 million) a year.

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CSO: 4020/311

HONG KONG

DOLLAR FOREIGN CURRENCY DEPOSITS DECLINE IN MARCH

HK060729 Hong Kong SOUTH CHINA MORNING POST in English 6 May 86 BUSINESS NEWS
p 1

[By BUSINESS NEWS Editor Jerry Norton]

[Text] Both Hong Kong dollar and foreign currency deposits declined in March, but the drop was more pronounced for the local unit.

Total money supply also fell, according to monetary statistics released yesterday by the government.

Loans and advances for visible trade finance were up, but other loans for use in Hong Kong were flat.

The figures showed the trend continuing in which foreign currency accounts represent an increasing proportion of total deposits in the territory, although the degree of change was much smaller in March than in February.

All Hong Kong dollar deposits fell by one percent in March from February, to \$216.3 billion.

Seasonal factors influenced the change, the government release said.

All foreign currency deposits slipped by 0.1 of a percent, to \$255.4 billion.

The changes put foreign currency at 54.1 percent of total deposits in March and local dollar accounts at 45.9 percent, against 53.9 percent and 46.1 percent, respectively, in February.

Total deposits, including both foreign and local currency, were off 0.6 percent to \$471.7 billion.

Since March last year, when Hong Kong dollar deposits accounted for a majority of the total, they have increased by only 9.2 percent, compared with a 36.4 percent rise for foreign currency deposits.

The continued shift from the local unit to foreign currency has raised concern over whether there is a growing lack of faith in the Hong Kong dollar, and about its long-term future if the trend is not checked.

The weakening of the Hong Kong dollar relative to currencies other than the greenback has been blamed as one factor in the switching, as have less attractive interest rates for Hong Kong savings than those in other currencies.

Little can be done about the former factor as long as the link with the U.S. currency remains and the greenback stays soft.

Lower local interest rates have contributed to calls for an end to having rates set by the Hong Kong Association of Banks rather than left to market forces.

Lack of confidence in the political situation has also been cited as contributing to the trend.

Some observers, however, suggest the concern over the growth in foreign currency deposits is overdone.

Hong Kong and Shanghai Bank economists, for example, took the contention to task in their April Economic Report, arguing that the increase should be a "welcome development," showing Hong Kong's success as a financial center.

They suggested deposits in other centers are even more heavily weighted towards foreign currencies.

Regarding total money supply, the government statistics released yesterday showed it decreased in March compared with February by every definition.

The most narrow measure, M1, was down 2.7 percent, M2 was off 0.1 of a percent, and M3 slipped 0.5 of a percent.

M1 had also decreased in February, but the other two measures had shown gains.

Seasonal factors were again cited in the government's statement, including, in the case of M1, an decrease in legal tender notes and coins held by the public.

Total loans and advances extended by banks and deposit-taking companies registered a 1.5 percent increase in March from February, similar to gains in the previous two months.

The latest rise took the overall figure to \$459.2 billion.

Loans denominated in Hong Kong dollars were up 0.7 of a percent, but those in foreign currencies rose 2.3 percent.

Loans to finance Hong Kong's visible trade showed a 2.4 percent rise to \$31.9 billion.

Yesterday's report also included a quarterly analysis of loans and advances.

It showed healthy gains in the first quarter of this year in loans and advances to the manufacturing sector, up 7.4 percent from the previous quarter and 9.2 percent from the same quarter last year.

Compared with the same respective periods, the building, construction and properly development sector figures were down 5.3 percent and 18.8 percent.

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CSO: 4020/325

HONG KONG

EVERBRIGHT DISCUSSES OBTAINING SHARE OF HONG KONG BANK

HK070231 Hong Kong HONG KONG STANDARD in English 7 May 86 BUSINESS
STANDARD p 1

[By Eva To]

[Text] China Everbright Holdings Company, a mainland enterprise directly controlled by China's State Council, is seeking a 50 percent stake, worth about \$114 million, in a small local bank.

The all-too-willing target is Hong Nin Bank, a family enterprise which has been looking around for a big brother.

The acquisition is being engineered through China Nanhai Oil Shenzhen Service Corporation (CNOSSC), 33.3 percent of which is held by Everbright.

The honorary chairman of CNOSSC is Everbright's chairman, Wang Guang-ying.

The two have already had a round of discussions.

Everbright's move underscores the desire of various China concerns to establish a foothold in Hong Kong's financial scene, now that China International Trust and Investment Corporation (CITIC) has shown the way by taking over Ka Wah Bank.

CITIC is also controlled by the State Council.

Informed sources said that though the discussions were initiated by Hong Nin Bank, CNOSSC is keen to establish a toehold in the local financial market.

A senior official of CNOSSC, who is directly involved in the discussion, told BUSINESS STANDARD yesterday from Shenzhen that the first round of talks was held in Hong Kong recently and that the second round will follow soon.

He said that although the size of the stake in Hong Nin has not been decided, CNOSSC would prefer 50 percent.

In 1984, shareholders fund in Hong Nin Bank stood at \$227.9 million -- which means CNOSSC may have to spend \$114 million in foreign exchange for the deal.

"As CNOSSC is still waiting for Hong Nin's 1985 results, which are expected to be out within two months, a decision before then is highly unlikely.

"And when the CNOSSC makes up its mind, it still has to get the approval of related financial authorities which include the country's central bank, People's Bank of China and the State Administration for Foreign Exchange Control," he said.

Set up in August 1984, the CNOSSC is a joint venture of three Chinese enterprises -- the China Everbright Holdings Company, the Shenzhen Special Economic Zone Development Corporation (SSEZDC) and the China Nanhai Oil Joint Service Corporation -- with each holding a one-third stake.

The SSEZDC is under the direct control of the Shenzhen municipal government. CNOSSC chairman, Luo Changren, is also an official of the municipal government.

An Everbright spokesman also confirmed that negotiations had taken place but stressed that Everbright was not directly involved.

He also said that the matter had not yet been raised with the CNOSSC board. " said Everbright has no direct presence in the financial field and any move that direction will have to be approved by the country's State Council.

The Lee family, which controls the Hong Nin Bank, incorporated the bank in May 1922 as the Hong Nin Savings Bank. The paid up capital was negligible and was increased from \$35 million in 1980 to \$60 million in 1981, then again to the existing level of \$100 million in 1982.

Current liabilities, which include customers' deposits and other items including provision for taxation, rose from 1980's \$106.2 million (excluding provision for taxation) to \$135.2 million in 1981, \$363.5 million in 1982, and \$605 million in 1983 and 1984.

But the bank's general reserve has continued to slide during this period, from \$37 million in 1980. The reserves fell to \$30 million in 1981, and to \$10 million in 1982. It stood at \$20 million in 1983 and 1984.

Post-tax profits have not been too attractive either. They plunged from \$26.2 million in 1983 to \$13.7 million in 1984. Profits in earlier years were \$23 million ('80) \$25 million ('81) and \$21 million ('82).

Besides its headquarters in Central, the Hong Nin Bank only has four other outlets in the territory. Subsidiary companies include Hong Nin (Nominee), Hong Nin Finance and the Jersey Incorporated Hong Nin (Overseas).

Hong Nin (Overseas) has been incorporated for years but has not engaged in any trading.

The six-member board, headed by Lee Ping-chiu, is drawn exclusively from the Lee family.

HONG KONG

PBOC: NO PROPOSALS RECEIVED ON HONG NIN BANK ACQUISITION

HK090427 Hong Kong SOUTH CHINA MORNING POST in English 9 May 86 BUSINESS NEWS
p 1

[By Olivia Sin]

[Text] A senior official of Shenzhen branch of the People's Bank of China [PBOC] said yesterday the bank had not received any proposal from the two Shenzhen agencies said to be interested in acquiring Hong Nin Bank in Hong Kong.

Any Chinese state-owned corporation planning to buy a stake in a bank would first have to seek approval from PBOC, the country's central bank, he said.

The two agencies which have been mentioned in connection with Hong Nin are Nanhai Oil Shenzhen Development and Service Corp and Shenzhen Special Economic Zone [SEZ] Development Corp.

The PBOC official, who declined to be named, said he understood that the two corporations were studying the possibility of "investing" in Hong Nin Bank, but that no decision had yet been made.

he said the PBOC would arrange meetings with the two agencies to find out more about their plans.

Other sources said Nanhai Oil Shenzhen, which does not have a license to conduct currency and banking activities, wants to acquire Hong Nin through a finance company owned by the Shenzhen SEZ Development Corp.

The finance company, which is similar to a Hong Kong deposit-taking company, is restrict to operating in the special economic zone.

However, officials of the finance company yesterday denied any knowledge of a deal and said they had not contacted any Hong Nin executives.

The People's Bank official said the formal procedure for Chinese entities wishing to acquire a bank was to submit detailed financial feasibility studies to the PBOC for examination.

"We will then check the financial situation and the management structure of the target bank: he said, adding that the buyers' credentials and financial background would also come under scrutiny.

"We will not approve unless they meet our stringent requirements."

Some critics have challenged the financial strength and the management level of Nanhai Oil Shenzhen Co, which was set up in 1984 to develop a 38 sq km area in Nantou -- west of Shenzhen -- into a logistics base for the South China Sea oil exploration program.

They said the company could not be compared with China International Trust and Investment Corp (CITIC), which has brought Ka Wah Bank. CITIC was managed by highly competent and well-qualified staff with direct support from the State Council, they said.

Nanhai Oil Shenzhen is owned equally by the China Everbright Holding Co, China Nanhai Oil Joint Services Corp and Shenzhen SEZ Development Co.

Sources said Nanhai Oil Shenzhen Co may have encountered difficulties in raising funds because of lackluster drilling results and housing and office surpluses, and may see a stake in Hong Nin Bank as making it easier to obtain funds in the future.

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CSO: 4020/325

HONG KONG

AILING HONG KONG SHIPPING GROUP MEETS CREDITORS

OW161825 Beijing XINHUA in English 1744 GMT 16 May 86

[Text] Hong Kong, May 16 (XINHUA)--The Hong Kong-based Tung Shipping Group, one of the world's biggest shipping companies, today proposed to its creditors a coordinated restructuring plan to deal with its severe financial problem.

More than 250 people representing some 150 creditors from Hong Kong, Japan, the United States and Europe attended the briefing session.

The proposal suggested that the group, which at present consists of the publicly listed company Orient Overseas (Holdings) Ltd. (OOHL) and the Tung Private Group (TPG), be reorganized into two major entities, both focused on shipping.

One would be a New Container Group (NCG), which would be majority-owned by OOHL. The second would be the Tung Tankers and Bulkiers Group (TTB), which would hold most of the tankers and bulk carriers in the group.

A new entity, the Tung Holdings Trust (THT), would own the common shares of TTB and up to 90 percent of the ordinary shares of OOHL.

Four consecutive years of depression in the world shipping industry coupled with an over-borrowed balance sheet has put the Tung Group into severe financial troubles.

The total debt of the Tung Group now amounts to 2.676 billion U.S. dollars, said John Guest of the Shearson Lehman Brothers Inc., financial adviser to the Tung Group. Of this, 1.431 billion dollars belongs to OOHL and 1.245 billion dollars to TPG.

The restructuring proposal recommends that full interest be paid on TPG and OOHL debt secured by the market value of their assets--the so-called senior debt--and that amortization begin in 1988.

The remainder--the undersecured and unsecured debt--would be treated equally, Guest said. They would be exchanged for interest bearing notes and for equity shares in the group.

Under the proposal, C.H. Tung, the present chairman of the Tung Group holding 12 percent shares of OOHL, would become voting trustee of the trust as well as the chief executive of the restructured group but would have no share holding in the group.

Concerning the 120 million dollar injection into the group by local magnate Fok Ying-tung announced in March this year, Guest said that Fok would invest 100 million dollars of equity in the new container business and 20 million dollars into a new company, Tung Buildings, established to accept the delivery of 12 new ships from Japan.

The creditors from Hong Kong, Japan, the United States and Europe are expected to discuss the complex proposal in the next few weeks, Guest said, hoping that the restructuring could be completed by mid-summer.

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CSO: 4020/329

HONG KONG

GUANGZHOU TO FORM JOINT VENTURE FINANCE COMPANY

HK090445 Hong Kong SOUTH CHINA MORNING POST in English 9 May 86 BUSINESS NEWS
p 3

[By Paul Sham]

[Text] Guangzhou International Trust and Investment Corp is to form a joint venture finance company with Yue Xiu Enterprises Ltd in Hong Kong.

Guangzhou International manager Leung Yundeh said yesterday the move was part of plans by the company to expand into overseas money markets.

Yue Xiu is the representative office in Hong Kong of Guangzhou City.

Mr Leung said it had recently been decided to increase Guangzhou International's registered capital from 100 million renminbi to 400 million (about HK \$968 million) to strengthen its financial base.

The projected finance company in Hong Kong will handle security trading, foreign exchange transactions, and commercial loans.

Mr Leung said further discussions would take place soon between Guangzhou International (not to be confused with Guangdong ITIC) and Yue Xiu on the details of shareholdings and profit-sharing. Agreement in principle to co-operate in the venture had been reached.

A Yue Xiu spokesman said if the plan went ahead, the venture would represent a restructuring of the financial arm of Yue Xiu. Application had been made to the Hong Kong authorities early this year.

Initially, he added, Yue Xiu has planned the finance company as its own wholly-owned subsidiary.

Mr Leung said the venture was prompted by the lengthy application procedures faced by Chinese firms wanting to set up branches outside the country.

The joint venture with Yue Xiu would be regarded as just another subsidiary of the Hong Kong based company, thereby eliminating complicated paperwork in China.

Also included in Guangzhou International's expansion plans are trust investment for overseas Chinese, insurance, leasing, and management of funds denominated both in renminbi and foreign currencies.

The company is also planning to issue bonds in foreign countries to enlarge its financial base, said Mr Leung. In this it will be following the examples set by Fujian Province and Shanghai. A fact-finding team has been sent to Japan.

Guangzhou International is planning to raise U.S. \$70 million this year from foreign sources, of which U.S. \$40 million will be short-term borrowings.

Its role as guarantor for loans from foreign banks is expected to increase with the sums under guarantee reaching U.S. \$200 million this year. The company guaranteed 11 projects in 1985.

Total profit this year is expected to amount to 12 million yuan, an increase of 7.6 percent over last year's figure.

Yue Xiu, meanwhile, is planning to set up branch offices in Los Angeles and Singapore, according to its spokesman.

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HONG KONG

OFFICIAL NOTES INVESTORS' CONFIDENCE

OW242152 Beijing XINHUA in English 1638 GMT 24 Apr 86

[Text] Hong Kong, 24 April (XINHUA) -- A senior Hong Kong official said that the confidence of the private sector in maintaining their investment here continues to be forthcoming, the Hong Kong Government Information Services reported here today.

Addressing a meeting in San Francisco Wednesday, Deputy Chief Secretary Alan Scott said, "As a result of private investment, work on a 260 million U.S.-dollar expansion of our container port -- already the third, and expected to become the second, in the world -- began in 1985."

He went on to say, "A joint-venture project between Guangdong (Province) and Hong Kong's China Light and Power Company is under way for the construction of a nuclear power station 30 miles across the border."

When completed, the station will provide electricity for consumers in both Hong Kong and Guangdong into the next century, he told the meeting.

Private investors from Japan, the Chinese mainland and Great Britain, he said, will begin work later this year on a 390 million U.S.-dollar second road rail crossing under the harbor, linking Honk Kong Island with Kowloon.

The objective of the government here, he stressed, is a smooth transition for the territory in 1997, without social, economic or political dislocation.

China will resume its sovereignty over the whole of Hong Kong by 1997 under the Sino-British joint declaration.

The deputy chief secretary said, "The Hong Kong Government has been investing heavily, as always, in infrastructure, with long-term plans for transport, education, medical and social services."

Transport and communication links with China are being strengthened, he said, adding that road, rail and ferry services (which carried 15 million people to the Chinese mainland last year) are being improved.

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CSO: 4020/311

HONG KONG

FINANCIAL SECRETARY COMMENTS ON DAYA BAY NUCLEAR PLANT

HK080411 Hong Kong SOUTH CHINA MORNING POST in English 8 May 86 p 1

[By Frank Choi]

[Text] The government will have to be open and prepared to make facts about the Daya Bay nuclear plant transparent, the financial secretary, Sir John Bremridge, told the Legislative Council yesterday.

Sir John said secrecy was a menace and the combination in the Soviet Union of secrecy and incompetence had done the world a disservice.

Replying to 13 supplementary questions originated by Miss Maria Tam's query on safety measures at Daya Bay, Sir John said: "There is widespread concern and governments everywhere must be prepared to explain the position clearly so there can be a proper degree of public reassurance."

He said: "Secrecy is absolutely out of the question."

"I think the Russians dropped a stone on their own feet in trying to preserve secrecy for the first week."

He said the Daya Bay site was closer to populated areas in China than to Hong Kong and there were more plants in the world much closer to populated centers than Daya Bay was to Hong Kong.

Sir John assured Unofficials of the Guangdong Nuclear Power Joint Venture Co would not skimp on safety measures even if the construction cost went up and construction time would not be cut if progress was not going as scheduled.

He said the government considered public education about the nuclear plant was important and a study was being conducted to outline an education strategy.

Radiation monitoring equipment should be in place by the end of the year, he said.

He said the Daya Bay plant would be governed by the best international safety standards in respect of design, manufacture, erection, commissioning and operation.

These standards had been incorporated in all contracts being placed by the joint venture company.

"The nuclear equipment and nuclear design for the plant are being obtained by the company from France to take the maximum possible benefit of the successful nuclear program there and in particular of the very high safety record of the French," Sir John said.

There are now more than 40 similar pressurized water reactors operating satisfactorily in France alone, the second largest nuclear power program in the world, and there were 160 of the reactors worldwide.

He said the Daya Bay design was totally different from the one at Chernobyl in the Ukraine.

In addition, the French equipment, supplier, Framatome and the French national utility, Electricite de France (EdF), had a supervising role to ensure that specified standards were met.

Sir John said apart from French safety standards that had been adopted for the project, applicable international and Chinese standards would also be observed.

"In addition, China has established its own national licensing authority (the National Nuclear Safety Authority directly responsible to the State Council) which has a cooperation agreement with the French licensing authority (the Central Service for the Safety of Nuclear Installations) regarding the use of French standards."

China's licensing authority told the company these standards would be the basis for its licensing of the Daya Bay plant.

Sir John said all possible safeguards for design and construction of the plant to the highest international standards have been taken.

Such safety standards would apply at all stages of the project during design, construction and operation.

He said according to China's licensing regulations there were several key stages of the construction where detailed safety analysis reports would have to be submitted to the Chinese licensing authority for approval.

The safety analysis reports would be prepared according to international forms and standards, with input from the French contractors involved and under the supervision of EdF.

Construction work could not continue until the licensing authority was satisfied the standards had been met.

"This will ensure, therefore, that internationally recognized safety standards will already be attained before the plant is put into operation," he said.

Sir John said the company was responsible for the application of safety standards during the operational stage, but under the terms of the joint venture contract, the operations manager and other members of the operations staff would be nominated by the Hong Kong Nuclear Investment Co (HKNIC).

He said: "This close operational link will enable HKNIC to know the operating status of the plant, including the unlikely event of any abnormal developments."

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HONG KONG

BRIEFS

HONG KONG UNDERWRITING GROUP--A 15-member underwriting group has been formed for the \$250 million commercial paper issue planned by Guangdong Enterprise (Holdings) Ltd, the Chinese province's representative office in Hong Kong. A spokesman for the company said yesterday that the agreement will be signed within the next two weeks. Banking sources said the three-year program is being lead-managed by China Development Finance Co (Hong Kong) Ltd and Paribas Asia Ltd, each of which will subscribe \$27.5 million to the facility. The other 13 participating banks and financial institutions, which will each subscribe \$15 million, include Bank of East Asia, Barclays Bank, Bank of Tokyo, CCIC Finance Ltd, Kleinwort Benson (Hong Kong) Ltd, Nanyang Commercial Bank, BNP, and Wardley. The issue will be in denominations of 500,000 with maturities of one to three months, and is subject to an underwritten margin of one eighth percentage point above the Hong Kong interbank offered rate. [Text] [Hong Kong SOUTH CHINA MORNING POST in English 9 May 96 BUSINESS NEWS p 3]

FIRST QUARTER TRADE INCREASES--Hong Kong, May 16 (XINHUA)--Hong Kong's total merchandise trade in the first quarter of this year was valued at 108,832 million Hong Kong dollars (about 13,952 million U.S. dollars), up 0.3 percent compared with the same period of last year, according to the territory's census and statistics department. On the same basis of comparison, domestic exports increased by one percent to 29,146 million H.K. dollars (about 3,737 million U.S. dollars), while re-exports decreased by six percent to 24,005 million H.K. dollars (about 3,078 million U.S. dollars), so that for total exports, the trade value decreased by two percent. Hong Kong's imports increased by three percent to 55,762 million H.K. dollars (about 7,137 million U.S. dollars). Comparing the first three months of 1986 with the same 1985 period, the statistics show that the value of Hong Kong's domestic exports to the United States increased by two percent, but the value of most commodities exported to the Chinese mainland decreased. Re-exports to the Chinese mainland decreased by 33 percent in value. The United States and the Chinese mainland are Hong Kong's two leading trading partners. [Text] [Beijing XINHUA in English 1015 GMT 16 May 86 OW] /6662

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